



October 3, 2008

Memorandum

To: Members of the Board

From: Ross Simms, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information – TAB B¹

OBJECTIVES

The objective is to approve the issuance of *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information* as a final Statement of Federal Financial Accounting Concepts (SFFAC).

BRIEFING MATERIALS

The following materials are attached to this memorandum.

1. Tracked changes version of the draft statement.
2. Clean version of the draft statement.
3. Ballot
4. Summary of Board Views

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

BACKGROUND

The Statement amends SFFAC 2, *Entity and Display*, to provide conceptual guidance for distinguishing basic information, required supplementary information (RSI), and other accompanying information (OAI). Staff provided Board members with a pre-ballot draft statement on September 15, 2008, and subsequently, members provided editorial comments and comments to help clarify particular concepts. The comments are addressed in the attached “tracked changes” version (Attachment 1) and “clean” version (Attachment 2) of the Statement. Comments to help clarify particular concepts are discussed as follows:

1. Clarify Guidance Regarding Laws and Administrative Directives in the Discussion of OAI. Paragraph 73F discusses concepts regarding OAI. Staff revised the paragraph to clarify that information may be considered OAI in instances where laws or administrative directives require the information to be audited and to accompany basic information and RSI. The revised paragraph is as follows:

If an item of information does not meet the criteria for basic information or RSI, it becomes a candidate for OAI. OAI is information that accompanies basic information and RSI, but is not required by a body that establishes GAAP. Some entities may desire to report information to supplement required information and enhance a user’s understanding of the entity’s operations or financial condition. This may include, but is not limited to, information on delivery times, turnover, and wastage of inventories; expected replacement of physical capital; and delinquency, aging, and default rates for loan portfolios. In addition, entities report information not required by a body that establishes GAAP, but required by laws or administrative directives. The laws or administrative directives may require the information to be audited and may require it to accompany basic information and RSI. However, this information is also considered OAI.

2. Clarify that Required Supplementary Stewardship Information (RSSI) Is the Subject throughout Paragraph A14. Paragraph A14 discusses the RSSI category. Because readers may confuse RSSI with RSI in the discussion, staff deleted the text, “it was intended for required supplemental information for which” and replaced it with “For this category, the Board intended that.” The revised paragraph is as follows:

Respondents also expressed concern regarding the status of the required supplementary stewardship information (RSSI) category. The RSSI category was a response to the unique federal financial reporting environment and the broad financial reporting objectives. For this category, the Board intended that the Government Accountability Office and the Office of Management and Budget would define a level of auditor involvement greater than applied to required supplementary information but less than applied to basic information. However, that level has never been defined and the Board initiated projects to review and re-categorize RSSI items through a series of standards that would amend SFFAS 8, *Supplementary Stewardship Reporting*.

Also, the attached Ballot includes submission instructions. Ballots are due by October 17, 2008, and unless a member dissents, discussion of the Statement will not be a part of the October 2008 meeting agenda.

If you have questions or need additional information, please contact me at 202-512-2512 or by email at simmsr@fasab.gov as soon as possible.

Attachments

Ballot Draft Statement – Tracked Changes Version

Ballot Draft Statement – Clean Version

Ballot

Summary of Board Views



Federal Accounting Standards Advisory Board

**Distinguishing Basic Information, Required Supplementary
Information, and Other Accompanying Information**

Statement of Federal Financial Accounting Concepts 6

February 1, 2009

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General, established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the Federal Government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, Federal executives, Federal program managers, and other users of Federal financial information. The proposed standards are published in an Exposure Draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for Federal accounting and reporting.

Additional background information is available from the FASAB or its website:

- "Memorandum of Understanding among the General Accounting Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board."
- "Mission Statement: Federal Accounting Standards Advisory Board", Exposure drafts, Statements of Federal Financial Accounting Standards and Concepts, FASAB newsletters, and other items of interest are posted on FASAB's website at: www.fasab.gov.

Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 6814
Mail stop 6K17V
Washington, DC 20548
Telephone 202-512-7350
FAX – 202-512-7366
www.fasab.gov

This is a work of the U. S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from FASAB. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

STATEMENTS OF FEDERAL FINANCIAL ACCOUNTING CONCEPTS

This Statement of Federal Financial Accounting Concepts (SFFAC) is the sixth in a series of concepts statements intended to set forth objectives and fundamentals on which financial accounting and reporting standards will be based. The objectives identify the goals and purposes of financial reporting. The fundamentals are the underlying concepts of financial accounting—concepts that guide the selection of transactions, events, and circumstances to be accounted for; their recognition and measurement; and the means of summarizing and communicating them to interested parties.

The Federal Accounting Standards Advisory Board's (FASAB or "the Board") conceptual framework enhances the consistency of standards and serves the public interest by providing structure and direction to federal financial accounting and reporting. The most direct beneficiaries of the FASAB's concepts statements are the Board itself and preparers and auditors of federal financial reports. The statements guide the Board's development of accounting and reporting standards by providing the Board with a common foundation and basic reasoning on which to consider the merits of alternatives.

Knowledge of the objectives and concepts the Board considers should help users and others who are affected by or interested in federal financial accounting and reporting standards to understand better the purposes, content, and qualitative characteristics of information provided by federal financial accounting and reporting. That knowledge should enhance the usefulness of, and confidence in, federal financial accounting and reporting.

Concepts statements enhance preparers' and auditors' understanding of the common foundation and reasoning employed in considering alternatives. The generally accepted accounting principles (GAAP) hierarchy provides that statements of federal financial accounting standards constitute level A (the highest level) guidance. Statements of federal financial accounting concepts are not GAAP. Instead, concepts statements constitute "other literature" and may only be relied upon by financial statement preparers and auditors to resolve specific accounting issues in the absence of GAAP literature. In developing and amending accounting standards, the Board looks to concepts statements for guiding principles and also considers relevant existing standards and guidance issued by the Board and other standard setting bodies. Until the Board amends existing standards, the Board expects practice to be governed by the accounting principles embodied in the four levels of the GAAP hierarchy. Thus, the

Board distinguishes between material presented in concepts which are used to guide Board deliberations on future GAAP and accounting principles presented in standards which constitute current GAAP.

For federal entities, in the absence of specific authoritative literature applicable to a transaction or event, it should be possible to report the event or transaction by selecting an established accounting principle for an analogous transaction or event that appears appropriate when applied in a similar manner. In the unusual case where an analogy cannot be drawn to established authoritative literature, the American Institute of CPAs permits consideration of other literature including concepts statements. Consideration of individual concepts statements will be helpful but often may not provide sufficient guidance in resolving emerging issues. Therefore, the Board encourages careful study of the conceptual framework and established practice in resolving such issues.

Statements in this series describe concepts and relations that will underlie future federal financial accounting standards and practices and in due course will serve as a basis for evaluating existing standards and practices. The series of concepts statements comprises:

- SFFAC 1, *Objectives of Federal Financial Reporting* (includes the qualitative characteristics of information in financial reports)
- SFFAC 2, *Entity and Display*
- SFFAC 3, *Management's Discussion and Analysis*
- SFFAC 4, *Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government*
- SFFAC 5, *Elements of Accrual-Basis Financial Statements and Basic Recognition Criteria*
- SFFAC 6, *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*

Like other pronouncements of the FASAB, Statements of Federal Financial Accounting Concepts remain in effect until amended, superseded, or withdrawn by appropriate action under the Board's Rules of Procedure.

Summary

This Statement amends SFFAC 2, *Entity and Display*, to provide guidance for use by the Board in determining whether information should be basic information, required supplementary information (RSI), or other accompanying information (OAI). Although each of these categories communicates information to readers of financial reports, each may be subjected to different procedures and reporting requirements under generally accepted government auditing standards. The Statement defines the categories as follows:

Basic information is essential for the financial statements and notes to be presented in conformity with generally accepted accounting principles (GAAP).

RSI is information that a body that establishes GAAP requires to accompany basic information.

OAI is information that accompanies basic information and required supplementary information, but is not required by a body that establishes GAAP.

The Statement describes the process the Board may apply in selecting one of these categories for communicating an item of information. The process begins with determining what information should be required. A candidate for required information is consistent with the reporting objectives and meets qualitative characteristics and cost-benefit considerations discussed in Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*.

Information that meets the criteria for required information is a candidate for basic information or RSI. To help distinguish basic information from RSI, this Statement provides a list of factors that the Board may consider.

Information that does not meet the criteria for required information is a candidate for OAI. Entities may report OAI to support required information or to comply with laws or administrative directives. The Board may encourage OAI to help advance overall federal financial reporting.

Table of Contents

Summary 5

Table of Contents 6

Introduction 7

 Purpose 7

Concepts 8

 Scope 8

 Definitions 8

 Amending SFFAC 2 to Distinguish Basic Information, RSI, and Other Accompanying Information 8

Appendix A: Basis for Conclusions 19

 Project History 19

Appendix B: Concepts as Amended ~~24~~

Appendix C: Abbreviations ~~38~~

Appendix C: Glossary ~~39~~

Deleted: 23

Deleted: 36

Deleted: 37

Introduction**Purpose**

1. The existing conceptual framework provides guidance on what information should be reported and identifies a number of methods that may be used to communicate this information within a general purpose federal financial report (GPFRR).¹ For example, Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*, provides guidance on the information that should be reported and SFFAC 2, *Entity and Display*, discusses the **financial statements** and other methods that may be used to provide the information and which entities should prepare them. In addition, SFFAC 3, *Management's Discussion and Analysis*, describes the **management's discussion and analysis** (MD&A) of significant topics.
2. Given the various alternatives for communicating information, this Statement expands the existing conceptual framework. This Statement amends SFFAC 2 to discuss a process and factors the Board considers when deciding whether the information should be considered basic information, required supplementary information (RSI), or other accompanying information (OAI). Discussing each of these categories may help those engaged in federal financial reporting to better understand the nature of the information being communicated and their importance to the financial reporting objectives.

¹ The term general purpose federal financial report, abbreviated "GPFRR" is used throughout this Statement as a generic term to refer to the report that contains the entity's financial statements that are prepared pursuant to generally accepted accounting principles. In the federal government, the report is known as the Performance and Accountability Report or the Agency Financial Report.

Concepts**Scope**

3. This Statement specifically affects SFFAC 2, par. 2, 3, 55, 69, 72, 74, 76, 77, 78, 79, 81, and 108, and footnotes 11, 12, 12a, 14, and 17. Also, this Statement affects the section of SFFAC 2 titled, "Displaying Financial Information."

Definitions

4. Required Information: Information that consists of basic and required supplementary information.
 - a. Basic Information: Information that is essential for financial statements and notes to be presented in conformity with generally accepted accounting principles (GAAP).
 - b. Required Supplementary Information: Information that a body that establishes GAAP requires to accompany basic information.
5. Other Accompanying Information: Information that accompanies basic information and required supplementary information, but is not required by a body that establishes GAAP.

Amending SFFAC 2 to Distinguish Basic Information, RSI, and Other Accompanying Information

6. SFFAC 2, par. 2 is amended as follows.

The purpose of this statement of accounting concepts is to provide guidance as to what would be encompassed by a Federal Government entity's financial report. The statement specifies the types of entities for which there ought to be financial reports (hereinafter called reporting entities), establishes guidelines for defining the makeup of each type of reporting entity, identifies types of financial reports for communicating the information for each type of reporting entity, ~~and~~ suggests the types of information each type of report would convey, and identifies the process and factors the Board may consider in determining whether information should be

basic information, required supplementary information (RSI), or other accompanying information (OAI).

7. SFFAC 2, par. 3 is amended as follows.

A statement of financial accounting concepts is intended to guide the members of the Federal Accounting Standards Advisory Board (FASAB) as they deliberate and recommend accounting standards for the Federal Government. The concepts in this Statement are consistent with those established in SFFAC 1 which are not superseded or modified by this Statement. The concepts in this Statement also are generally consistent with current practice and do not imply radical change. However, they are expected to guide the Board's future deliberations. In addition, concepts statements constitute "other literature" and may only be relied upon by financial statement preparers and auditors to resolve specific accounting issues in the absence of GAAP literature. ~~This Statement also would be useful to the Office of Management and Budget (OMB), when it carries out its statutory responsibilities for specifying who should prepare financial statements and the form and content of those statements; and as broad guidance for preparers, auditors, and users of financial statements of Federal agencies. A statement of financial accounting concepts does not, in and of itself, represent standards that would be considered generally accepted accounting principles for Federal agencies to be followed for the preparation of financial statements.~~

8. SFFAC 2, par. 55 is replaced by the following two paragraphs.

- a. To enhance confidence in the reliability of information presented in financial statements, the statements are often, but not always audited by Inspectors General, independent accounting firms, or the Government Accountability Office. In developing accounting standards, the Board considers whether information should be categorized as basic information, required supplementary information (RSI), or other accompanying information (OAI). Distinguishing these categories is important because each category is subject to different procedures and reporting requirements under generally accepted government auditing standards (GAGAS). When an auditor is engaged to audit an entity's financial statements, basic information as a whole is subject to testing for fair presentation in conformity with GAAP. However, RSI and OAI are unaudited, but subject to certain procedures specified by GAGAS for RSI and OAI, respectively. To assist users in analyzing the different types of information within financial reports, these differences must be conveyed and can be accomplished in a variety of ways. The traditional approach is to separate the categories of information. However, the categories may be commingled if the RSI and OAI are clearly labeled as "unaudited" or

distinguished in a manner that informs the reader of the level of assurance provided.

- b. Classification of the information as basic information, RSI, or OAI does not constrain the form of presentation. For example, financial statements may be presented as basic financial statements, RSI, or OAI. Information can be required or encouraged to be in the form of financial statements, narrative, graphs, or tables. To clearly communicate the intended status, the Board must specify whether the information is to be considered basic information, RSI, or OAI. Selecting a category may involve a process which is described in paragraphs 73A to 73G.

9. SFFAC 2, footnote 11 is rescinded.
10. SFFAC 2, footnote 12 is rescinded.
11. SFFAC 2, paragraph 72 is rescinded.
12. SFFAC 2, footnote 12a is amended as follows:

The Statement of Financing may be presented as a financial statement or as a schedule in the notes to financial statements. The OMB will provide guidance regarding details of how the information will be displayed for the Statement of Financing, including whether it shall be presented as a basic financial statement or as a schedule in the notes to the basic financial statements.

13. SFFAC 2, paragraphs 69, 74, 79 and 108 are amended to conform the term "management discussion and analysis" to the term established in SFFAC 3 - "management's discussion and analysis" – each time it appears in these paragraphs.
14. The following headings, paragraphs, and table are added to SFFAC 2, following paragraph 73.

Distinguishing Basic Information, RSI, and OAI

Determining Required Information

- 73A. Selecting a category for communicating information may involve a process that begins with determining what information should be required. Required information is information that consists of basic

information and RSI. An item of information is a candidate for required information if it is consistent with the objectives of federal financial reporting and meets certain qualitative characteristics and cost-benefit considerations. The Board developed these factors earlier in the conceptual framework. SFFAC 1 identifies the reporting objectives (paragraphs 112 to 150) and the qualitative characteristics (paragraphs 157 to 164). It also discusses cost versus benefit considerations (paragraphs 151 to 155).

Determining Basic Information versus RSI

- 73B. Information that meets the criteria for required information is a candidate for basic information or RSI. Basic information is information which is essential for the financial statements and notes to be presented in conformity with GAAP. The FASAB standards are the core^{12.1} of GAAP and auditors may be engaged to express an opinion as to whether basic financial statements and notes are presented in conformity with those criteria.
- 73C. RSI is information that a body that establishes GAAP requires to accompany basic information. It may be experimental in nature to permit the communication of information that is relevant and important to the reporting objectives while more experience is gained through resolution of accounting issues. Also, the information may be expressed in other than financial measures or may not be subject to reliable estimation. As issues are resolved, the information may be considered basic at some point in the future.
- 73D. The Board specifies what information should be presented as basic information and what information should be presented as RSI. Assessing whether required information is a candidate for basic information or RSI may involve the Board's consideration of a range of factors which are listed in Table 1: *Factors to Consider in Distinguishing Basic Information from RSI* on page 15. The factors are not listed in a particular order and some may convey similar ideas. In addition, different Board members may assign different weight to each factor. Thus, the factors provide a general framework for each Board member's judgment and are not considered to

^{12.1} The first and highest level of the GAAP hierarchy comprises standards and interpretations. Lower level GAAP may not conflict with standards or interpretations.

present a decision tree, hierarchy, or precise algorithm for classifying items.

- 73E. For example, members may consider the relevance of the information to fair presentation. If the information has a high relevance to fair presentation, it may be a candidate for basic information communicated by financial statements and notes to the financial statements. The financial statements and notes could not be considered fairly presented if the information is missing or materially misstated. The rationales for some of the other factors that members may consider are:
- a. Use of various types of financial data or financial transaction data. Members may deliberate the nature of the data used or the type of system used to process the information. Financial data used or data derived from a system for processing financial transactions, may be more likely to be considered basic information.
 - b. Level of importance the Board wishes to be communicated in the financial report or the auditor's report. In addition to the nature of the information, the Board may take into account the effect of categorizing an item as basic information or RSI in the financial report and what the auditor's report would communicate if the item is missing or materially misstated. By designating an item as basic information rather than RSI, the Board can have some bearing on the level of importance conveyed in the financial report and auditor's report. In other words, users may pay less attention to items categorized as "supplementary" in the financial report. Conversely, they may be more concerned with the auditor's conclusions regarding the fair presentation of the financial statements. Hence, the more important the item, the more likely it would be a part of the financial statements and notes prepared in conformity with GAAP, such that if the item is missing or materially misstated, the matter would be conveyed in the auditor's report on the fair presentation of the financial statements.
 - c. The extent to which the information interests a wide audience (rather than specialists). If an item of information is of great interest to users, the information may be a candidate for basic information. Conversely, if the item is primarily of interest to subject matter specialists, the information may accompany the basic information as RSI.

-
- d. Extent to which there are not alternative sources of reliable information. If organizations routinely publish an item of information that is scrutinized by independent advisors, it may be more likely to be considered RSI than basic information.
 - e. Agreement on criteria that permit comparable and consistent reporting. If there is a lack of specific criteria for measuring an item, preparers may have great discretion in developing their calculations and auditors may lack criteria necessary for their work and expressing an opinion. The item of information may be a candidate for RSI.
 - f. Experience among users, preparers, and auditors with the information. The Board may consider the views of expert users, preparers, and auditors in developing measurement criteria for basic information. If the level of experience regarding an item is low, input on specific criteria may not be available. Also, when there is not sufficient experience to develop measurement criteria, auditors may have concerns about expressing an opinion on the information. They may express qualifications or include explanations in their report. Categorizing the information as RSI may encourage reporting while more experience is gained and criteria developed.
 - g. Benefit/cost ratio of using resources to compile the information as well as ensure accuracy. The Board may consider the benefit and cost associated with producing and auditing the item of information.

OAI

- 73F. If an item of information does not meet the criteria for basic information or RSI, it becomes a candidate for OAI. OAI is information that accompanies basic information and RSI, but is not required by a body that establishes GAAP. Some entities may desire to report information to supplement required information and enhance a user's understanding of the entity's operations or financial condition. This may include, but is not limited to, information on delivery times, turnover, and wastage of inventories; expected replacement of physical capital; and delinquency, aging, and default rates for loan portfolios. In addition, entities report information not required by a body that establishes GAAP, but required by laws or

administrative directives. The laws or administrative directives may require the information to be audited and may require it to accompany basic information and RSI. However, this information is also considered OAI.

Deleted: T

- 73G. Although the FASAB does not require OAI to be presented, the FASAB may at times encourage voluntary reporting of items to help in the development of information that may enhance overall federal financial reporting. For example, the FASAB may consider an item to be relevant to entity operations but, for the moment, does not meet other criteria for Required Information.

Table 1: Factors to Consider in Distinguishing Basic Information from RSI²

FACTORS TO CONSIDER IN DISTINGUISHING BASIC INFORMATION FROM RSI		
Low (implies RSI)	Factor	High (implies Basic)
	<Relevance to fair presentation>	
	<Connection with elements of financial reporting>	
	<Use of various types of financial data or financial transaction data>	
	<Level of importance the Board wishes to be communicated in the financial report>	
	<Significance, relevance, or importance of the item in light of <i>Objectives</i> >	
	< Level of importance the Board wishes to be communicated in the auditor's report>	
	<Relevance to measuring financial condition or changes in financial condition>	
	<Extent to which the information interests a wide audience (rather than specialists)>	
	<Extent to which there are not alternative sources of reliable information>	
	<Agreement on criteria that permit comparable and consistent reporting>	
	<Experience among users, preparers, and auditors with the information>	
	<Benefit/cost ratio of using resources to compile the information as well as ensure accuracy>	
	<Connection with basic financial statements>	
	<Reliability and/or precision possible>	
	<Reliability and/or precision needed>	

² As noted in paragraph 73D, the factors are not listed in a particular order and do not represent a hierarchy of factors.

15. SFFAC 2, paragraph 74 is amended as follows.

Meeting the four objectives of Federal financial reporting in the most efficient manner suggests that reporting entities issue a financial report that would include the following:

- management's discussion and analysis;
- ~~balance sheet~~ statement of financial position (commonly referred to as balance sheet);
- statement of net costs;
- statement of changes in net position;
- statement of custodial activities, when appropriate;
- statement of budgetary resources;
- statement of financing; [footnote retained but not presented]
- statement of program performance measures; [footnote retained but not presented]
- accompanying footnotes;
- required ~~supplemental~~ supplementary information ~~pertaining to physical, human, and research and development capital and selected claims on future resources, when appropriate;~~ and
- other ~~supplemental financial and management information, when appropriate~~ accompanying information.

16. SFFAC 2, footnote 14 is amended as follows.

Such components are similar to responsibility segments as referred to in ~~FASAB Exposure Draft SFFAS 4, "Managerial Cost Accounting for the Federal Government" (see pages 26-30) Concepts and Standards, par. 78-81.~~ Responsibility segments are used to accumulate costs and outputs for major lines of activity.

17. SFFAC 2, paragraph 76 is amended as follows.

Furthermore, there are frequently instances when one or more of the suborganizations conduct a very visible or critical activity and there is a high level of public interest, e.g., ~~Internal Revenue Service tax collection activity; maintains large and complex accounts with large fund flows activity, e.g., Defense Business Operations Fund; has major~~

~~responsibilities for the appropriate use of earmarked taxes activity, e.g., Health Care Financing Administration; or its financial viability is of special concern to the Executive Branch or the Congress, e.g., deposit insurance funds. In those situations, it may be desirable for the sub-organization to prepare and issue a separate financial statement that is consistent with the concepts presented in this concepts statement. [footnote retained but not presented] In doing so, it would need to identify the parent entity and describe the sub-organization's relationship to the parent.~~

18. SFFAC 2, paragraph 77 is amended as follows.

The components of any reporting entity are likely to conduct transactions with other components in the reporting entity, other Federal entities, and persons and organizations outside the Federal Government. Likewise, they are likely to have assets due from and liabilities due to other Federal components and entities and to non-Federal persons and organizations. In reporting the transactions and balances of a Federal reporting entity in its entirety, it is conceptually desirable, although not always practicable, to eliminate the intra-entity transactions and balances. ~~Factors to consider are the utility of the information for the entity in its entirety if the intra-entity balances are not eliminated, the misunderstanding that might result if the balances are not eliminated, and the cost benefit of making the eliminations.~~

19. SFFAC 2, footnote 17 (presented below) is deleted.

~~A reporting entity that eliminates none of the intra-entity transactions or balances and still desires to present the information for its individual components in separate columns could do so by preparing and issuing a **combining financial statement**. If the individual columns are added to a total column without elimination of the intra-entity transactions or balances, the total column would have to be labeled "Memorandum Only" to signify that it is not net of eliminations. Recognizing that the U. S. Standard General Ledger does not presently provide accounts for identifying intra-entity transactions, the decision as to when the information for a reporting entity other than the Federal Government as a whole should be presented in a consolidating financial statement rather than a combining financial statement would be specified by OMB in a Form and Content Bulletin.~~

20. SFFAC 2, paragraph 78 is amended as follows.

Some of a reporting entity's components are likely to be required by law or policy to prepare and issue financial statements in accordance with accounting standards other than those ~~recommended by FASAB's and issued by OMB and GAO~~, e.g., accounting standards issued by the Financial Accounting Standards Board or accounting standards established by a regulatory agency. Those components should continue to issue the required reports. The reporting entities of which the components are a part can issue consolidated, consolidating, or combining statements that include the components' financial information prepared in accordance with the other accounting standards. They need to be sensitive, however, to differences resulting from applying different accounting standards that could be material to the users of the reporting entity's financial statements. If these differences are material, the standards ~~recommended issued by FASAB and issued by OMB and GAO~~ should be applied. The components would need to provide any additional disclosures ~~recommended required~~ by FASAB and included in the OMB-issued standards guidance that would not be required by the other standards.

21. SFFAC 2, paragraph 79 is amended as follows.

In addition to budgetary integrity, operating performance, and systems and control information, Readers of the financial statements for the entire government are likely to be concerned primarily with whether the government has been a proper steward. This can best be achieved with the preparation and issuance of the following:

- management's discussion and analysis;
- ~~balance sheet~~ statement of financial position (commonly referred to as balance sheet);
- statement of ~~operations or~~ net costs;
- statement of operations and changes in net position;
- reconciliation of net operating revenue (or cost) and unified budget surplus (or deficit);
- statement of changes in cash balance from unified budget and other activities;
- comparison of budgeted and actual use of resources;
- statement of program performance measures;
- accompanying footnotes;
- required ~~supplemental~~ supplementary information pertaining to physical, human, and ~~research and development capital and selected claims on future resources;~~ and
- other ~~supplemental financial and management information, when appropriate~~ accompanying information.

22. SFFAC 2, paragraph 81 is rescinded.

Appendix A: Basis for Conclusions

This appendix discusses some factors considered significant by members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Some factors were given greater weight than other factors.

Project History

- A1. The FASAB developed a core set of accounting standards and initial concepts statements on reporting objectives and entity and display early in its first six years of operation. Concepts were developed as initial standards were developed. In 2003, the Board began to actively review and add to or modify its concepts statements as needed. The Board's desire to evaluate its concepts after more than twelve years of successful progress is stimulated by a realization that (a) some critical concepts that have been relied on are not yet included in a concepts statement, (b) certain aspects of the concepts are not widely understood or accepted, and (c) an expansion or modification of its concepts statements will help the Board communicate more effectively with the growing community of federal financial report users, preparers, and auditors.
- A2. As part of the overall project to review and expand its conceptual framework, the FASAB began deliberations on this Statement in October 2006. The FASAB noted that, in the past, it had relied on certain concepts to distinguish between basic information, RSI, and OAI. However, those concepts had not been incorporated into a concepts statement. This Statement amends SFFAC 2 to include those concepts. The Board believes that this Statement is an important part of its conceptual framework and will provide more consistent, useful, and enduring guidance to the Board.
- A3. The Board focused on this Statement, in part, because of the issues that developed regarding how to communicate complex information in the most useful manner to financial report users. There are several broad financial reporting objectives each with sub-objectives that require financial and non-financial information. In addition, reporting information to achieve those objectives raises the issue of how the information should be classified. This Statement provides guidance on addressing such issues and selecting the means of communicating information necessary to help achieve the reporting objectives.

- A4. The Board published the exposure draft (ED), *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*, on March 26, 2008, with comments requested by June 26, 2008. Upon release of the exposure draft, notices and press releases were provided to: The Federal Register, *FASAB News*, *The Journal of Accountancy*, *AGA Today*, *the CPA Journal*, *Government Executive*, *the CPA Letter*, and *Government Accounting and Auditing Update*, The CFO Council, the Presidents Council on Integrity and Efficiency, Financial Statement Audit Network, and the Federal Financial Managers Council, and committees of professional associations generally commenting on exposure drafts in the past.
- A5. This broad announcement was followed by direct mailings of the exposure draft to the Subcommittee on Federal Financial Management, Government Information, and International Security, Committee on Homeland Security and Governmental Affairs, United States Senate, and the Subcommittee on Government Management, Organization, and Procurement, Committee on Oversight and Government Reform, House of Representatives.
- A6. The Board received 19 responses from the following sources:

	FEDERAL (Internal)	NON-FEDERAL (External)
Users, academics, others		3
Auditors	3	1
Preparers and financial managers	12	
Totals	15	4

- A7. In general, respondents agreed with the process and factors for distinguishing the categories of information. However, many respondents believed that some of the factors listed in Table 1: Factors to Consider in Distinguishing Basic Information from RSI, needed clarification. Two respondents also noted that the factors could be weighted or assigned a value because some factors seemed more important than others.
- A8. The purpose of the ED is to provide conceptual guidance for developing future standards. It is intended to guide the Board in deciding issues such as what information should be a part of the financial statements prepared in conformity with GAAP (basic information) and what information should

accompany financial statements prepared in conformity with GAAP (RSI). Table 1 provides a general framework for guiding members in deciding whether an item of information should be considered basic information or RSI. A general framework permits future Boards some level of flexibility in developing standards and the framework would not necessarily need to be revised as changes in the environment occurred.

- A9. In addition, although some respondents suggested additional factors to consider, the Board believes that the general framework presented in the ED includes a broad range of ideas that members may consider. For example, some respondents suggested additional factors regarding the level of uncertainty involved in accounting information, such as the impact of market factors and market volatility that may affect reportable items. However, the issue of uncertainty is embodied in the existing factors, "Reliability and/or precision possible" and "Reliability and/or precision needed."
- A10. To clarify the intent of the factors presented in Table 1, the Board added brief explanations to paragraph 73E and added a footnote to the table to inform readers that, as discussed in paragraph 73D, the factors are not listed in a particular order or considered to present a hierarchy. Also, the Board removed the factor, "Extent to which the information is aggregated (lacking detail)." The Board acknowledged that members may reach different decisions when applying the factor. Also, another factor, "Benefit/cost ratio of using resources to compile the information as well as ensure accuracy," conveys a similar idea that members may consider.
- A11. Some respondents were not clear whether distinguishing between basic information and RSI was the responsibility of the FASAB or individuals. Also, one respondent noted that a factor is needed to address instances where there is a statutory or regulatory requirement to present an item as basic information, RSI, or OAI. To clarify that the FASAB determines the category of required information, the Board replaced paragraph 55 of SFFAC 2 with paragraph 8 of the Statement and modified the language in paragraph 73D by stating that the Board specifies what information should be presented as basic information and what information should be presented as RSI. The paragraph was also modified by substituting "Board member" or "Board members" for "individual" or "individuals." In addition, when developing the ED, the Board discussed that a statutory or regulatory body may require the reporting of information beyond that required by the FASAB and may specify audit requirements for the information. Also, the information may be included in a report containing information that the FASAB requires. Paragraph 73F explains that this information is considered OAI.

Deleted: of the ED

- A12. Regarding the OAI category, the Board noted that there may be instances where an entity may not have both basic information and RSI. For example, an entity may only have basic information to convey. In such an instance, OAI would only accompany basic information. To accommodate circumstances where an entity may not have both basic information and RSI, the Board removed the word "both" from the definition of OAI in paragraphs 5 and 73F of the ED.
- A13. Some respondents suggested changes to or expressed concern regarding the reporting model, such as removing the statement of financing. Also, SFFAC 2 discusses financial statements that have not been presented in practice such as the statement of program performance measures. As part of the Board's overall conceptual framework initiative, the Board has started a project to revisit the reporting model. The project plan includes revisiting the financial statements and other components of the reporting model presented in SFFAC 2 and respondents' views will be considered as part of that project.
- A14. Respondents also expressed concern regarding the status of the required supplementary stewardship information (RSSI) category. The RSSI category was a response to the unique federal financial reporting environment and the broad financial reporting objectives. For this category, the Board intended that the Government Accountability Office and the Office of Management and Budget would define a level of auditor involvement greater than applied to required supplementary information but less than applied to basic information. However, that level has never been defined and the Board initiated projects to review and re-categorize RSSI items through a series of standards that would amend SFFAS 8, *Supplementary Stewardship Reporting*.
- A15. Currently, the standards to re-categorize RSSI include the following: (1) SFFAS 23, *Eliminating the Category "National Defense Property, Plant, and Equipment,"* which eliminated the use of RSSI to report weapons systems information; (2) SFFAS 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*, which eliminated the use of RSSI for the reporting of information about stewardship responsibilities; and (3) SFFAS 29, *Heritage Assets and Stewardship Land*, which eliminated the use of RSSI for the reporting of stewardship property, plant and equipment (PP&E). The Board plans to address the remaining RSSI item, stewardship investments, in a future standard. Once the Board reclassifies all items of RSSI, the category will be eliminated.

Deleted: It was intended for required supplemental information for which

Formatted: Font: Italic

- A16. The Board distinguishes concepts from accounting principles presented in standards. As noted earlier, the purpose of the Statement is to provide concepts to guide the FASAB in developing future standards. Thus, until the Board amends existing standards regarding RSSI, the Board expects practice to be governed by those standards.

Appendix B: Concepts as Amended

This Appendix reproduces SFFAC 2, as if amended. The paragraph numbers are based on the original numbers in the statement. The strikethrough, underlined text, and the insertion of Table 1: *Factors to Consider in Distinguishing Basic Information from RSI* indicates the proposed amendments.

INTRODUCTION

1. A basic postulate of accounting is that accounting information pertains to entities, i.e., circumscribed legal, administrative, fiduciary, or other organizational structures. Another basic postulate is that entities use financial reports to communicate financial and related information about the entity to persons concerned with the entity.
2. The purpose of this statement of accounting concepts is to provide guidance as to what would be encompassed by a Federal Government entity's financial report. The statement specifies the types of entities for which there ought to be financial reports (hereinafter called reporting entities), establishes guidelines for defining the makeup of each type of reporting entity, identifies types of financial reports for communicating the information for each type of reporting entity, ~~and~~ suggests the types of information each type of report would convey, and identifies the process and factors the Board may consider in determining whether information should be basic information, required supplementary information (RSI), or other accompanying information (OAI).
3. A statement of financial accounting concepts is intended to guide the members of the Federal Accounting Standards Advisory Board (FASAB) as they deliberate ~~and recommend~~ accounting standards for the ~~Federal~~ Government. The concepts in this Statement are consistent with those established in SFFAC 1 which are not superseded or modified by this Statement. The concepts in this Statement also are generally consistent with current practice and do not imply radical change. However, they are expected to guide the Board's future deliberations. In addition, concepts statements constitute "other literature" and may only be relied upon by financial statement preparers and auditors to resolve specific accounting issues in the absence of GAAP literature. ~~This Statement~~ also would be useful to the Office of Management and Budget (OMB), when it carries out its statutory responsibilities for specifying who should prepare financial statements and the form and content of those statements; ~~and as broad guidance for preparers, auditors, and users of financial statements of Federal agencies. A statement of financial accounting concepts does not, in and of itself, represent standards that would be considered generally accepted~~

~~accounting principles for Federal agencies to be followed for the preparation of financial statements.~~

4. This statement does not try to define which reporting entities must prepare and issue financial statements. That authority and responsibility resides with the Congress, OMB, and other oversight organizations and resource providers.

Paragraphs 5 – 53 are omitted. They address the reporting objectives, the structure of the federal government and reporting entities.

DISPLAYING FINANCIAL INFORMATION

54. Financial information is typically provided by or for a reporting entity through financial statements. Financial statements represent the principal means of communicating accounting information about an entity's resources, obligations, revenues, costs, etc. to those outside the entity. However, financial statements, and particularly those prepared for governmental and other not-for-profit organizations, may also contain information from sources other than accounting records. Also, management may communicate information to those outside the entity by means of financial reporting other than financial statements, either because the information is required to be disclosed by statute, regulation, or custom; or because management believes the information would be useful to those outside the entity and discloses it voluntarily.
- ~~55. To enhance confidence in the reliability of information presented in financial statements, the statements are often, but not always, audited by Inspectors General, independent accounting firms, or the General Accounting Office. Some financial reporting by management, both within and outside the financial statements, is audited, or is reviewed but not audited; and some information is presented by management without audit or review by persons independent of those who prepared the statements or information.~~
55. To enhance confidence in the reliability of information presented in financial statements, the statements are often, but not always audited by Inspectors General, independent accounting firms, or the Government Accountability Office. In developing accounting standards, the Board considers whether information should be categorized as basic information, required supplementary information (RSI), or other accompanying information (OAI).

Distinguishing these categories is important because each category is subject to different procedures and reporting requirements under generally accepted government auditing standards (GAGAS). When an auditor is engaged to audit an entity's financial statements, basic information as a whole is subject to testing for fair presentation in conformity with GAAP. However, RSI and OAI are unaudited, but subject to certain procedures specified by GAGAS for RSI and OAI, respectively. To assist users in analyzing the different types of information within financial reports, these differences must be conveyed and can be accomplished in a variety of ways. The traditional approach is to separate the categories of information. However, the categories may be commingled if the RSI and OAI are clearly labeled as "unaudited" or distinguished in a manner that informs the reader of the level of assurance provided.

Deleted: e

- 55A. Classification of the information as basic information, RSI, or OAI does not constrain the form of presentation. For example, financial statements may be presented as basic financial statements, RSI, or OAI. Information can be required or encouraged to be in the form of financial statements, narrative, graphs, or tables. To clearly communicate the intended status, the Board must specify whether the information is to be considered basic information, RSI, or OAI. Selecting a category may involve a process which is described in paragraphs 73A to 73G.
56. In the Federal Government, there are several types of reporting entities (organizations, suborganizations, programs, and the government as a whole) and several financial reporting objectives (budgetary integrity, operating performance, stewardship, and systems and control). Each of the reporting objectives can be met to a certain degree by the statements prepared by or for one type of reporting entity and to a greater or lesser degree by the statements prepared by or for the other types of reporting entities. For example, the objective of budgetary integrity can be best met with the program and financing schedules prepared for individual budget accounts. The objective of operating performance can be best met with financial statements from organizations/suborganizations and programs (although financial statements at this level can also help readers evaluate the reporting entity's budgetary integrity). The objective of stewardship can be best met with a financial statement for the entire government. Meeting the financial reporting objectives in their totality requires financial statements from all of the types of reporting entities.

Paragraphs 57 – 67 are omitted. They describe types of financial statements.

Other Information

68. Financial information is also conveyed with **accompanying footnotes**, which are an integral part of the financial statements. Footnotes typically provide additional disclosures that are necessary to make the financial statements more informative and not misleading.
69. It is also necessary to convey more general information about the reporting entity. This could entail such matters as a brief description of the reporting entity; its missions, goals, and objectives; the programs it provides and the major recipients for the program; its major sources of funding; the manner in which the reporting entity is organized; its personnel resources; highlights of the entity's accomplishments during the reporting period; selected measures of program performance abstracted from the statement of program performance; problems encountered or targets missed and the reasons why; financial highlights and trends; expected problems and challenges; future targets the entity is setting for itself; and any other information the agency head or CFO considers necessary to fully and fairly provide an understanding of the entity's financial affairs. This type of information is typically presented in what has come to be known as a **management's discussion and analysis** or **overview** of the reporting entity.
70. The third objective of Federal financial reporting is that it "should assist report users in assessing the impact on the country of the government's operations and investments for the period and how, as a result, the government's and the nation's financial conditions have changed and may change in the future."¹⁰ This objective requires a reporting of information concerning investments in education, training, research, and development and certain types of property, plant, and equipment that can affect the nation's future wealth, and to the claims on future budgetary resources resulting from prior decisions and actions.
71. The information pertaining to the aforementioned investments, certain types of property, plant, and equipment,¹¹ and claims on future budgetary resources is

¹⁰ A complete discussion of the third objective for Federal financial reporting, which is called the "stewardship objective," is contained on pages 41-45 in Statement of Federal Financial Accounting Concepts No. 1, "Objectives of Federal Financial Reporting"

¹¹ ~~The Board is currently considering accounting standards for Federally owned property, plant, and equipment. These standards will address placement of information related to various types of PP&E. The Board is considering placing information about some types of PP&E in footnotes with information about~~

maintained in part in the entities' general ledgers and, in part, external to the general ledgers. Some of the information is recorded in units other than dollars, e.g., acres, millions of square feet. Finally, some of the information is not subject to the types of controls present in a system of double entry recordkeeping. Accordingly, a more suitable way to fulfill the third reporting objective would be to display the appropriate information as **required supplemental supplementary information** rather than attempting to include it in financial statements.⁴²

- ~~72. Finally, some reporting entities desire or need to report information to support information in the overview or to enhance the understanding of the entity's operations or financial condition. That additional information would not always be appropriate for the overview or the financial statements or accompanying footnotes. Examples are delivery times, turnover, and wastage of inventories; condition, maintenance, and expected replacement of physical capital; and delinquency, aging, and default rates for loan portfolios. This information is typically reported as **supplemental financial and management information**. It can be reported in the form of schedules, charts, tables, and/or narrative text.~~
73. The fourth objective, systems and controls, is fulfilled, in part, by the act of preparing the financial statements. Other ways the fourth objective could be fulfilled through the audited financial reporting process is by a management assertion that would accompany the financial statements and/or an auditor's attestation on the financial statements. The management assertion would be an acknowledgment of its responsibility for the accuracy of the information in the financial statements, the completeness and fairness of the presentation of the information, the accuracy of the information in all material respects, and the reporting of the information in a manner designed to fairly present financial position and results of operations. The assertion could also include a statement regarding the adequacy of the entity's systems and controls, accompanied by the auditor's concurrence with the assertion.

other types in required supplemental information. The Board's proposals will be presented in an exposure draft on stewardship reporting.

⁴² ~~Required supplemental information is information that would be reported outside the principal financial statements that the Federal Accounting Standards Advisory Board considers an essential part of a reporting entity's financial reporting, and therefore recommends authoritative guidelines for the measurement and presentation of the information. It is analogous to the required supplementary information discussed in Statement on Auditing Standards AU Section 558.06, which addresses pronouncements of the FASAB, Financial Accounting Standards Board and the Governmental Accounting Standards Board~~

Distinguishing Basic Information, RSI, and OAIDetermining Required Information

- 73A. Selecting a category for communicating information may involve a process that begins with determining what information should be required. Required information is information that consists of basic information and RSI. An item of information is a candidate for required information if it is consistent with the objectives of federal financial reporting and meets certain qualitative characteristics and cost-benefit considerations. The Board developed these factors earlier in the conceptual framework. SFFAC 1 identifies the reporting objectives (paragraphs 112 to 150) and the qualitative characteristics (paragraphs 157 to 164). It also discusses cost versus benefit considerations (paragraphs 151 to 155).
- 73B. Information that meets the criteria for required information is a candidate for basic information or RSI. Basic information is that which is essential for the financial statements and notes to be presented in conformity with GAAP. The FASAB standards are the core^{12.1} of GAAP and auditors express an opinion as to whether basic financial statements and notes are presented in conformity with those criteria.
- 73C. RSI is information that a body that establishes GAAP requires to accompany basic information. It may be experimental in nature to permit the communication of information that is relevant and important to the reporting objectives while more experience is gained through resolution of accounting issues. Also, the information may be expressed in other than financial measures or may not be subject to reliable estimation. As issues are resolved, the information may be considered basic at some point in the future.
- 73D. The Board specifies what information should be presented as basic information and what information should be presented as RSI. Assessing whether information is a candidate for basic information or RSI may involve the Board's consideration of a range of factors which are listed in Table 1: *Factors to Consider in Distinguishing Basic from RSI*. The factors are not listed in a particular order and some may convey similar ideas. In addition, different Board members may assign different weight to each factor. Thus, the factors provide a general framework for each Board member's judgment and are not

^{12.1} The first and highest level of the GAAP hierarchy comprises standards and interpretations. Lower level GAAP may not conflict with standards or interpretations.

considered to present a decision tree, hierarchy, or precise algorithm for classifying items.

73E. For example, one may consider the relevance of the information to fair presentation. If the information has a high relevance to fair presentation it may be a candidate for basic information communicated by financial statements and notes to the financial statements. The financial statements and notes could not be considered fairly presented if the information is missing or materially misstated. The rationales for some of the other factors that members may consider are:

- a. Use of various types of financial data used or financial transaction data. Members may deliberate the nature of the data used or the type of system used to process the information. Financial data used or data derived from a system for processing financial transactions, may be more likely to be considered basic information.
- b. Level of importance the Board wishes to be communicated in the financial report or the auditor's report. In addition to the nature of the information, the Board may take into account the effect of categorizing an item as basic information or RSI in the financial report and what the auditor's report would communicate if the item is missing or materially misstated. By designating an item as basic information rather than RSI, the Board can have some bearing on the level of importance conveyed in the financial report and auditor's report. In other words, users may pay less attention to items categorized as "supplementary" in the financial report. Conversely they may be more concerned with the auditor's conclusions regarding the fair presentation of the financial statements. Hence, the more important the item, the more likely it would be a part of the financial statements and notes prepared in conformity with GAAP, such that if the item is missing or materially misstated, the matter would be conveyed in the auditor's report on the fair presentation of the financial statements.
- c. The extent to which the information interests a wide audience (rather than specialists). If an item of information on the sustainability of federal programs is of great interest to users, the information may be a candidate for basic information. Conversely, if the item is primarily of interest to subject matter specialists, the information may accompany the basic information as RSI.

- d. Extent to which there are not alternative sources of reliable information. If organizations routinely publish an item of information that is scrutinized by independent advisors, it may be more likely to be considered RSI than basic information.
- e. Agreement on criteria that permit comparable and consistent reporting. If there is a lack of specific criteria for measuring an item, preparers may have great discretion in developing their calculations and auditors may lack criteria necessary for their work and expressing an opinion. The item of information may be a candidate for RSI.
- f. Experience among users, preparers, and auditors with the information. The Board may consider the views of expert users, preparers, and auditors in developing measurement criteria for basic information. If the level of experience regarding an item is low, input on specific criteria may not be available. Also, when there is not sufficient experience to develop measurement criteria, auditors may have concerns about expressing an opinion on the information. They may express qualifications or include explanations in their report. Categorizing the information as RSI may encourage reporting while more experience is gained and criteria developed.
- g. Benefit/cost ratio of using resources to compile the information as well as ensure accuracy. The Board may consider the benefit and cost associated with producing and auditing the item of information.

OAI

73F. If an item of information does not meet the criteria for basic information or RSI, it becomes a candidate for OAI. OAI is information that accompanies basic information and RSI, but is not required by a body that establishes GAAP. Some entities may desire to report information to support required information and enhance a user's understanding of the entity's operations or financial condition. This may include but is not limited to information on delivery times, turnover, and wastage of inventories; expected replacement of physical capital; and delinquency, aging, and default rates for loan portfolios. In addition, entities report information not required by a body that establishes GAAP, but required by laws or administrative directives. **The laws or administrative directives may require the information to be audited and may**

~~require it to accompany basic information and RSI. However, this information is also considered OAI.~~

Deleted: I

73G. Although the FASAB does not require OAI to be presented, the FASAB may at times encourage voluntary reporting of items to help in the development of information that may enhance overall federal financial reporting. For example, the FASAB may consider an item to be relevant to entity operations but, for the moment, does not meet other criteria for Required Information.

Table 1: Factors to Consider in Distinguishing Basic Information from RSI^{12.2}

FACTORS TO CONSIDER IN DISTINGUISHING BASIC INFORMATION FROM RSI		
Low (implies RSI)	Factor	High (implies Basic)
	<Relevance to fair presentation>	
	<Connection with elements of financial reporting>	
	<Use of various types of financial data or financial transaction data>	
	<Level of importance the Board wishes to be communicated in the financial report>	
	<Significance, relevance, or importance of the item in light of <i>Objectives</i> >	
	<Level of importance the Board wishes to be communicated in the auditor's report>	
	<Relevance to measuring financial condition or changes in financial condition>	
	<Extent to which the information interests a wide audience (rather than specialists)>	
	<Extent to which there are not alternative sources of reliable information>	
	<Agreement on criteria that permit comparable and consistent reporting>	
	<Experience among users, preparers, and auditors with the information>	
	<Benefit/cost ratio of using resources to compile the information as well as ensure accuracy>	
	<Connection with basic financial statements>	
	<Reliability and/or precision possible>	
	<Reliability and/or precision needed>	

^{12.2} As noted in paragraph 73D, the factors are not listed in a particular order and do not represent a hierarchy of factors.

 Financial Reporting for an Organizational Entity

74. Meeting the four objectives of Federal financial reporting in the most efficient manner suggests that reporting entities issue a ~~financial~~ report that would include the following:

- management's discussion and analysis;
- ~~balance sheet~~ statement of financial position (commonly referred to as balance sheet);
- statement of net costs;
- statement of changes in net position;
- statement of custodial activities, when appropriate;
- statement of budgetary resources;
- statement of financing;^{12a}
- statement of program performance measures;¹³
- accompanying footnotes;
- required ~~supplemental~~ supplementary information pertaining to physical, human, and research and development capital and selected claims on future resources, when appropriate; and
- other ~~supplemental financial and management information, when appropriate~~ accompanying information.

75. With some organizations, and even suborganizations, the activities of one or more programs or other components are as important to the readers of the financial statements as are the activities of the entity as a whole. This would be particularly true for a Department composed of many bureaus, administrations, agencies, services, etc., and particularly if their programs are dissimilar. In those instances, consideration should be given to the preferability of reporting the assets, liabilities, revenues, expenses, etc. of both the significant components individually and of the entity in its entirety. Hence, larger organizations, and

^{12a} ~~The Statement of Financing may be presented as a financial statement or as a schedule in the notes to financial statements. The OMB will provide guidance regarding details of how the information will be displayed for the Statement of Financing, including whether it shall be presented as a basic financial statement or as a schedule in the notes to the basic financial statements.~~

¹³ The statement of program performance measures is not a basic financial statement. Nevertheless, it is an important component of the financial reports.

particularly those composed of many bureaus, administrations, agencies, etc., would prepare not only consolidated financial statements for the organizational entity, but also provide information pertaining to their individual significant components.¹⁴ The information for the individual components could be provided with separate columns in consolidating financial statements¹⁵ (with the information for the less significant components, and possibly the entity's management component, aggregated into a single separate column), in separate financial statements for each significant component, or in the accompanying footnotes. The significant components can be suborganizations or programs. If they are suborganizations, information regarding programs should be provided in some manner.

76. Furthermore, there are frequently instances when one or more of the suborganizations conduct a very visible or critical activity and there is a high level of public interest, e.g., ~~Internal Revenue Service tax collection activity; maintains large and complex accounts with large fund flows activity, e.g., Defense Business Operations Fund; has major responsibilities for the appropriate use of earmarked taxes activity, e.g., Health Care Financing Administration;~~ or its financial viability is of special concern to the Executive Branch or the Congress, e.g., deposit insurance funds. In those situations, it may be desirable for the sub-organization to prepare and issue a separate financial statement that is consistent with the concepts presented in this concepts statement.¹⁶ In doing so, it would need to identify the parent entity and describe the sub-organization's relationship to the parent.
77. The components of any reporting entity are likely to conduct transactions with other components in the reporting entity, other Federal entities, and persons and organizations outside the Federal Government. Likewise, they are likely to have assets due from and liabilities due to other Federal components and entities and to non-Federal persons and organizations. In reporting the transactions and balances of a Federal reporting entity in its entirety, it is conceptually desirable, although not always practicable, to eliminate the intra-entity transactions and balances. ~~Factors to consider are the utility of the information for the entity in its~~

¹⁴ Such components are similar to responsibility segments as referred to in FASAB Exposure Draft SFFAS 4, "Managerial Cost Accounting for the Federal Government" (see pages 26-30) Concepts and Standards, par. 78-81. Responsibility segments are used to accumulate costs and outputs for major lines of activity.

¹⁵ A **consolidated financial statement** presents the transactions and balances for a reporting entity's components in a single column. In arriving at the consolidated amounts, the transactions and balances among the entities are eliminated. A **consolidating financial statement** presents the information for the reporting entity's components as well as the consolidated amounts in individual columns. The elimination of the inter-entity transactions and balances needed to arrive at the consolidated amounts might or might not be presented in a separate column.

¹⁶ Sub-organizations required by statute to prepare and issue a separate financial statement would, by definition, also need to do so.

~~entirely if the intra-entity balances are not eliminated, the misunderstanding that might result if the balances are not eliminated, and the cost-benefit of making the eliminations.~~¹⁷

78. Some of a reporting entity's components are likely to be required by law or policy to prepare and issue financial statements in accordance with accounting standards other than ~~those recommended by FASAB's and issued by OMB and GAO~~, e.g., accounting standards issued by the Financial Accounting Standards Board or accounting standards established by a regulatory agency. Those components should continue to issue the required reports. The reporting entities of which the components are a part can issue consolidated, consolidating, or combining statements that include the components' financial information prepared in accordance with the other accounting standards. They need to be sensitive, however, to differences resulting from applying different accounting standards that could be material to the users of the reporting entity's financial statements. If these differences are material, the standards ~~recommended~~ issued by FASAB and ~~issued by OMB and GAO~~ should be applied. The components would need to provide any additional disclosures ~~recommended~~ required by FASAB and included in the OMB-issued ~~standards~~ guidance that would not be required by the other standards.

Financial Reporting for the Entire Government

79. In addition to budgetary integrity, operating performance, and systems and control information, ~~r~~Readers of the financial statements for the entire government are likely to be concerned primarily with whether the government has been a proper steward. This can best be achieved with the preparation and issuance of the following:

- management's discussion and analysis;
- balance sheet statement of financial position (commonly referred to as balance sheet);
- statement of ~~operations~~ or net costs;
- statement of operations and changes in net position;

¹⁷ ~~A reporting entity that eliminates none of the intra-entity transactions or balances and still desires to present the information for its individual components in separate columns could do so by preparing and issuing a **combining financial statement**. If the individual columns are added to a total column without elimination of the intra-entity transactions or balances, the total column would have to be labeled "Memorandum Only" to signify that it is not net of eliminations. Recognizing that the U. S. Standard General Ledger does not presently provide accounts for identifying intra-entity transactions, the decision as to when the information for a reporting entity other than the Federal Government as a whole should be presented in a consolidating financial statement rather than a combining financial statement would be specified by OMB in a Form and Content Bulletin.~~

-
- reconciliation of net operating revenue (or cost) and unified budget surplus (or deficit);
 - statement of changes in cash balance from unified budget and other activities;
 - comparison of budgeted and actual use of resources;
 - statement of program performance measures;
 - accompanying footnotes;
 - required ~~supplemental~~ supplementary information pertaining to physical, human, and research and development capital and selected claims on future resources; and
 - other ~~supplemental financial and management information, when appropriate~~ accompanying information.

80. The readers should be made aware of whether the financial statements for the entire government exclude any significant entities that are included in the budget or include significant entities that are not included in the budget.

~~81. Readers of the financial statements for the entire government are also likely to be concerned with the results of the budget process. This interest can be fulfilled by providing a comparison of budgeted and actual use of resources, presented on the same basis as the budget is accounted for; and a reconciliation of accrual-based operating results to the budget-based operating results. The budget would be the amounts included in the President's Budget or the Mid-session Review of the budget, whichever is appropriate.~~

82. The financial statements for the entire government could also be used to provide information on Presidential initiatives or crosscutting programs that is not available in financial statements for individual organizations or programs.

83. Because the government is a complete and integral economic entity, in contrast to the departments and major agencies whose components frequently have nothing in common other than belonging to the same department, it would be appropriate that the financial statement for the entire government be a consolidated financial statement. However, it might also be appropriate to display selected information for the components, funds, etc., either within the consolidated financial statement, in accompanying footnotes, and/or as ~~supplemental~~ supplementary information.

Paragraphs 84 – 112 are omitted.

Appendix C: Abbreviations

AICPA	American Institute of Certified Public Accountants
AU	Audit Standards codified and published by the AICPA
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAGAS	Generally Accepted Government Auditing Standards
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GPPFR	General Purpose Federal Financial Report
MD&A	Management's Discussion and Analysis
OAI	Other Accompanying Information
RSI	Required Supplementary Information
RSSI	Required Supplementary Stewardship Information
SFAS	Statement of Financial Accounting Standards
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards

Appendix C: Glossary

Basic Information: Information that is essential for financial statements and notes to be presented in conformity with generally accepted accounting principles (GAAP).

Other Accompanying Information: Information that accompanies basic information and required supplementary information, but is not required by a body that establishes GAAP.

Required Information: Information that consists of basic and required supplementary information.

Required Supplementary Information: Information that a body that establishes GAAP requires to accompany basic information. When an auditor is engaged to audit an entity's financial statements, basic information is subject to testing for fair presentation in conformity with GAAP. However, RSI for federal entities is unaudited but subject to certain procedures specified by Generally Accepted Government Auditing Standards for RSI.

FASAB Board Members

Tom L. Allen, Chair

Robert F. Dacey

John A. Farrell

Norwood J. Jackson, Jr.

Robert P. Murphy (through July 2008)

James M. Patton

Robert N. Reid

Alan H. Schumacher

Harold I. Steinberg

Danny Werfel

FASAB Staff

Wendy M. Payne, Executive Director

Project Staff

Ross E. Simms

Federal Accounting Standards Advisory Board
441 G Street NW, Suite 6814
Mail Stop 6K17V
Washington, DC 20548
Telephone 202-512-7350
FAX 202-512-7366
www.fasab.gov



Federal Accounting Standards Advisory Board

**Distinguishing Basic Information, Required Supplementary
Information, and Other Accompanying Information**

Statement of Federal Financial Accounting Concepts 6

February 1, 2009

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General, established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the Federal Government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, Federal executives, Federal program managers, and other users of Federal financial information. The proposed standards are published in an Exposure Draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for Federal accounting and reporting.

Additional background information is available from the FASAB or its website:

- "Memorandum of Understanding among the General Accounting Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board."
- "Mission Statement: Federal Accounting Standards Advisory Board", Exposure drafts, Statements of Federal Financial Accounting Standards and Concepts, FASAB newsletters, and other items of interest are posted on FASAB's website at: www.fasab.gov.

Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 6814
Mail stop 6K17V
Washington, DC 20548
Telephone 202-512-7350
FAX – 202-512-7366
www.fasab.gov

This is a work of the U. S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from FASAB. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

STATEMENTS OF FEDERAL FINANCIAL ACCOUNTING CONCEPTS

This Statement of Federal Financial Accounting Concepts (SFFAC) is the sixth in a series of concepts statements intended to set forth objectives and fundamentals on which financial accounting and reporting standards will be based. The objectives identify the goals and purposes of financial reporting. The fundamentals are the underlying concepts of financial accounting—concepts that guide the selection of transactions, events, and circumstances to be accounted for; their recognition and measurement; and the means of summarizing and communicating them to interested parties.

The Federal Accounting Standards Advisory Board's (FASAB or "the Board") conceptual framework enhances the consistency of standards and serves the public interest by providing structure and direction to federal financial accounting and reporting. The most direct beneficiaries of the FASAB's concepts statements are the Board itself and preparers and auditors of federal financial reports. The statements guide the Board's development of accounting and reporting standards by providing the Board with a common foundation and basic reasoning on which to consider the merits of alternatives.

Knowledge of the objectives and concepts the Board considers should help users and others who are affected by or interested in federal financial accounting and reporting standards to understand better the purposes, content, and qualitative characteristics of information provided by federal financial accounting and reporting. That knowledge should enhance the usefulness of, and confidence in, federal financial accounting and reporting.

Concepts statements enhance preparers' and auditors' understanding of the common foundation and reasoning employed in considering alternatives. The generally accepted accounting principles (GAAP) hierarchy provides that statements of federal financial accounting standards constitute level A (the highest level) guidance. Statements of federal financial accounting concepts are not GAAP. Instead, concepts statements constitute "other literature" and may only be relied upon by financial statement preparers and auditors to resolve specific accounting issues in the absence of GAAP literature. In developing and amending accounting standards, the Board looks to concepts statements for guiding principles and also considers relevant existing standards and guidance issued by the Board and other standard setting bodies. Until the Board amends existing standards, the Board expects practice to be governed by the accounting principles embodied in the four levels of the GAAP hierarchy. Thus, the

Statements of Federal Financial Accounting Concepts

Board distinguishes between material presented in concepts which are used to guide Board deliberations on future GAAP and accounting principles presented in standards which constitute current GAAP.

For federal entities, in the absence of specific authoritative literature applicable to a transaction or event, it should be possible to report the event or transaction by selecting an established accounting principle for an analogous transaction or event that appears appropriate when applied in a similar manner. In the unusual case where an analogy cannot be drawn to established authoritative literature, the American Institute of CPAs permits consideration of other literature including concepts statements. Consideration of individual concepts statements will be helpful but often may not provide sufficient guidance in resolving emerging issues. Therefore, the Board encourages careful study of the conceptual framework and established practice in resolving such issues.

Statements in this series describe concepts and relations that will underlie future federal financial accounting standards and practices and in due course will serve as a basis for evaluating existing standards and practices. The series of concepts statements comprises:

- SFFAC 1, *Objectives of Federal Financial Reporting* (includes the qualitative characteristics of information in financial reports)
- SFFAC 2, *Entity and Display*
- SFFAC 3, *Management's Discussion and Analysis*
- SFFAC 4, *Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government*
- SFFAC 5, *Elements of Accrual-Basis Financial Statements and Basic Recognition Criteria*
- SFFAC 6, *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*

Like other pronouncements of the FASAB, Statements of Federal Financial Accounting Concepts remain in effect until amended, superseded, or withdrawn by appropriate action under the Board's Rules of Procedure.

Summary

This Statement amends SFFAC 2, *Entity and Display*, to provide guidance for use by the Board in determining whether information should be basic information, required supplementary information (RSI), or other accompanying information (OAI). Although each of these categories communicates information to readers of financial reports, each may be subjected to different procedures and reporting requirements under generally accepted government auditing standards. The Statement defines the categories as follows:

Basic information is essential for the financial statements and notes to be presented in conformity with generally accepted accounting principles (GAAP).

RSI is information that a body that establishes GAAP requires to accompany basic information.

OAI is information that accompanies basic information and required supplementary information, but is not required by a body that establishes GAAP.

The Statement describes the process the Board may apply in selecting one of these categories for communicating an item of information. The process begins with determining what information should be required. A candidate for required information is consistent with the reporting objectives and meets qualitative characteristics and cost-benefit considerations discussed in Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*.

Information that meets the criteria for required information is a candidate for basic information or RSI. To help distinguish basic information from RSI, this Statement provides a list of factors that the Board may consider.

Information that does not meet the criteria for required information is a candidate for OAI. Entities may report OAI to support required information or to comply with laws or administrative directives. The Board may encourage OAI to help advance overall federal financial reporting.

Table of Contents

Summary	5
Table of Contents	6
Introduction	7
Purpose	7
Concepts	8
Scope	8
Definitions	8
Amending SFFAC 2 to Distinguish Basic Information, RSI, and Other Accompanying Information.....	8
Appendix A: Basis for Conclusions	19
Project History	19
Appendix B: Concepts as Amended.....	24
Appendix C: Abbreviations	38
Appendix C: Glossary.....	39

Introduction

Purpose

1. The existing conceptual framework provides guidance on what information should be reported and identifies a number of methods that may be used to communicate this information within a general purpose federal financial report (GPFRR).¹ For example, Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*, provides guidance on the information that should be reported and SFFAC 2, *Entity and Display*, discusses the **financial statements** and other methods that may be used to provide the information and which entities should prepare them. In addition, SFFAC 3, *Management's Discussion and Analysis*, describes the **management's discussion and analysis** (MD&A) of significant topics.
2. Given the various alternatives for communicating information, this Statement expands the existing conceptual framework. This Statement amends SFFAC 2 to discuss a process and factors the Board considers when deciding whether the information should be considered basic information, required supplementary information (RSI), or other accompanying information (OAI). Discussing each of these categories may help those engaged in federal financial reporting to better understand the nature of the information being communicated and their importance to the financial reporting objectives.

¹ The term general purpose federal financial report, abbreviated "GPFRR" is used throughout this Statement as a generic term to refer to the report that contains the entity's financial statements that are prepared pursuant to generally accepted accounting principles. In the federal government, the report is known as the Performance and Accountability Report or the Agency Financial Report.

Concepts**Scope**

3. This Statement specifically affects SFFAC 2, par. 2, 3, 55, 69, 72, 74, 76, 77, 78, 79, 81, and 108, and footnotes 11, 12, 12a, 14, and 17. Also, this Statement affects the section of SFFAC 2 titled, "Displaying Financial Information."

Definitions

4. Required Information: Information that consists of basic and required supplementary information.
 - a. Basic Information: Information that is essential for financial statements and notes to be presented in conformity with generally accepted accounting principles (GAAP).
 - b. Required Supplementary Information: Information that a body that establishes GAAP requires to accompany basic information.
5. Other Accompanying Information: Information that accompanies basic information and required supplementary information, but is not required by a body that establishes GAAP.

Amending SFFAC 2 to Distinguish Basic Information, RSI, and Other Accompanying Information

6. SFFAC 2, par. 2 is amended as follows.

The purpose of this statement of accounting concepts is to provide guidance as to what would be encompassed by a Federal Government entity's financial report. The statement specifies the types of entities for which there ought to be financial reports (hereinafter called reporting entities), establishes guidelines for defining the makeup of each type of reporting entity, identifies types of financial reports for communicating the information for each type of reporting entity, ~~and~~ suggests the types of information each type of report would convey, and identifies the process and factors the Board may consider in determining whether information should be

basic information, required supplementary information (RSI), or other accompanying information (OAI).

7. SFFAC 2, par. 3 is amended as follows.

A statement of financial accounting concepts is intended to guide the members of the Federal Accounting Standards Advisory Board (FASAB) as they deliberate and recommend accounting standards for the Federal Government. The concepts in this Statement are consistent with those established in SFFAC 1 which are not superseded or modified by this Statement. The concepts in this Statement also are generally consistent with current practice and do not imply radical change. However, they are expected to guide the Board's future deliberations. In addition, concepts statements constitute "other literature" and may only be relied upon by financial statement preparers and auditors to resolve specific accounting issues in the absence of GAAP literature. ~~This Statement also would be useful to the Office of Management and Budget (OMB), when it carries out its statutory responsibilities for specifying who should prepare financial statements and the form and content of those statements; and as broad guidance for preparers, auditors, and users of financial statements of Federal agencies. A statement of financial accounting concepts does not, in and of itself, represent standards that would be considered generally accepted accounting principles for Federal agencies to be followed for the preparation of financial statements.~~

8. SFFAC 2, par. 55 is replaced by the following two paragraphs.

- a. To enhance confidence in the reliability of information presented in financial statements, the statements are often, but not always audited by Inspectors General, independent accounting firms, or the Government Accountability Office. In developing accounting standards, the Board considers whether information should be categorized as basic information, required supplementary information (RSI), or other accompanying information (OAI). Distinguishing these categories is important because each category is subject to different procedures and reporting requirements under generally accepted government auditing standards (GAGAS). When an auditor is engaged to audit an entity's financial statements, basic information as a whole is subject to testing for fair presentation in conformity with GAAP. However, RSI and OAI are unaudited, but subject to certain procedures specified by GAGAS for RSI and OAI, respectively. To assist users in analyzing the different types of information within financial reports, these differences must be conveyed and can be accomplished in a variety of ways. The traditional approach is to separate the categories of information. However, the categories may be commingled if the RSI and OAI are clearly labeled as "unaudited" or

distinguished in a manner that informs the reader of the level of assurance provided.

- b. Classification of the information as basic information, RSI, or OAI does not constrain the form of presentation. For example, financial statements may be presented as basic financial statements, RSI, or OAI. Information can be required or encouraged to be in the form of financial statements, narrative, graphs, or tables. To clearly communicate the intended status, the Board must specify whether the information is to be considered basic information, RSI, or OAI. Selecting a category may involve a process which is described in paragraphs 73A to 73G.

9. SFFAC 2, footnote 11 is rescinded.
10. SFFAC 2, footnote 12 is rescinded.
11. SFFAC 2, paragraph 72 is rescinded.
12. SFFAC 2, footnote 12a is amended as follows:

The Statement of Financing may be presented as a financial statement or as a schedule in the notes to financial statements. The OMB will provide guidance regarding details of how the information will be displayed for the Statement of Financing, including whether it shall be presented as a basic financial statement or as a schedule in the notes to the basic financial statements.

13. SFFAC 2, paragraphs 69, 74, 79 and 108 are amended to conform the term "management discussion and analysis" to the term established in SFFAC 3 - "management's discussion and analysis" – each time it appears in these paragraphs.
14. The following headings, paragraphs, and table are added to SFFAC 2, following paragraph 73.

Distinguishing Basic Information, RSI, and OAI

Determining Required Information

- 73A. Selecting a category for communicating information may involve a process that begins with determining what information should be required. Required information is information that consists of basic

information and RSI. An item of information is a candidate for required information if it is consistent with the objectives of federal financial reporting and meets certain qualitative characteristics and cost-benefit considerations. The Board developed these factors earlier in the conceptual framework. SFFAC 1 identifies the reporting objectives (paragraphs 112 to 150) and the qualitative characteristics (paragraphs 157 to 164). It also discusses cost versus benefit considerations (paragraphs 151 to 155).

Determining Basic Information versus RSI

- 73B. Information that meets the criteria for required information is a candidate for basic information or RSI. Basic information is information which is essential for the financial statements and notes to be presented in conformity with GAAP. The FASAB standards are the core^{12.1} of GAAP and auditors may be engaged to express an opinion as to whether basic financial statements and notes are presented in conformity with those criteria.
- 73C. RSI is information that a body that establishes GAAP requires to accompany basic information. It may be experimental in nature to permit the communication of information that is relevant and important to the reporting objectives while more experience is gained through resolution of accounting issues. Also, the information may be expressed in other than financial measures or may not be subject to reliable estimation. As issues are resolved, the information may be considered basic at some point in the future.
- 73D. The Board specifies what information should be presented as basic information and what information should be presented as RSI. Assessing whether required information is a candidate for basic information or RSI may involve the Board's consideration of a range of factors which are listed in Table 1: *Factors to Consider in Distinguishing Basic Information from RSI* on page 15. The factors are not listed in a particular order and some may convey similar ideas. In addition, different Board members may assign different weight to each factor. Thus, the factors provide a general framework for each Board member's judgment and are not considered to

^{12.1} The first and highest level of the GAAP hierarchy comprises standards and interpretations. Lower level GAAP may not conflict with standards or interpretations.

present a decision tree, hierarchy, or precise algorithm for classifying items.

- 73E. For example, members may consider the relevance of the information to fair presentation. If the information has a high relevance to fair presentation, it may be a candidate for basic information communicated by financial statements and notes to the financial statements. The financial statements and notes could not be considered fairly presented if the information is missing or materially misstated. The rationales for some of the other factors that members may consider are:
- a. Use of various types of financial data or financial transaction data. Members may deliberate the nature of the data used or the type of system used to process the information. Financial data used or data derived from a system for processing financial transactions, may be more likely to be considered basic information.
 - b. Level of importance the Board wishes to be communicated in the financial report or the auditor's report. In addition to the nature of the information, the Board may take into account the effect of categorizing an item as basic information or RSI in the financial report and what the auditor's report would communicate if the item is missing or materially misstated. By designating an item as basic information rather than RSI, the Board can have some bearing on the level of importance conveyed in the financial report and auditor's report. In other words, users may pay less attention to items categorized as "supplementary" in the financial report. Conversely, they may be more concerned with the auditor's conclusions regarding the fair presentation of the financial statements. Hence, the more important the item, the more likely it would be a part of the financial statements and notes prepared in conformity with GAAP, such that if the item is missing or materially misstated, the matter would be conveyed in the auditor's report on the fair presentation of the financial statements.
 - c. The extent to which the information interests a wide audience (rather than specialists). If an item of information is of great interest to users, the information may be a candidate for basic information. Conversely, if the item is primarily of interest to subject matter specialists, the information may accompany the basic information as RSI.

-
- d. Extent to which there are not alternative sources of reliable information. If organizations routinely publish an item of information that is scrutinized by independent advisors, it may be more likely to be considered RSI than basic information.
 - e. Agreement on criteria that permit comparable and consistent reporting. If there is a lack of specific criteria for measuring an item, preparers may have great discretion in developing their calculations and auditors may lack criteria necessary for their work and expressing an opinion. The item of information may be a candidate for RSI.
 - f. Experience among users, preparers, and auditors with the information. The Board may consider the views of expert users, preparers, and auditors in developing measurement criteria for basic information. If the level of experience regarding an item is low, input on specific criteria may not be available. Also, when there is not sufficient experience to develop measurement criteria, auditors may have concerns about expressing an opinion on the information. They may express qualifications or include explanations in their report. Categorizing the information as RSI may encourage reporting while more experience is gained and criteria developed.
 - g. Benefit/cost ratio of using resources to compile the information as well as ensure accuracy. The Board may consider the benefit and cost associated with producing and auditing the item of information.

OAI

- 73F. If an item of information does not meet the criteria for basic information or RSI, it becomes a candidate for OAI. OAI is information that accompanies basic information and RSI, but is not required by a body that establishes GAAP. Some entities may desire to report information to supplement required information and enhance a user's understanding of the entity's operations or financial condition. This may include, but is not limited to, information on delivery times, turnover, and wastage of inventories; expected replacement of physical capital; and delinquency, aging, and default rates for loan portfolios. In addition, entities report information not required by a body that establishes GAAP, but required by laws or

administrative directives. The laws or administrative directives may require the information to be audited and may require it to accompany basic information and RSI. However, this information is also considered OAI.

- 73G. Although the FASAB does not require OAI to be presented, the FASAB may at times encourage voluntary reporting of items to help in the development of information that may enhance overall federal financial reporting. For example, the FASAB may consider an item to be relevant to entity operations but, for the moment, does not meet other criteria for Required Information.

Table 1: Factors to Consider in Distinguishing Basic Information from RSI²

FACTORS TO CONSIDER IN DISTINGUISHING BASIC INFORMATION FROM RSI		
Low (implies RSI)	Factor	High (implies Basic)
	<Relevance to fair presentation>	
	<Connection with elements of financial reporting>	
	<Use of various types of financial data or financial transaction data>	
	<Level of importance the Board wishes to be communicated in the financial report>	
	<Significance, relevance, or importance of the item in light of <i>Objectives</i> >	
	< Level of importance the Board wishes to be communicated in the auditor's report>	
	<Relevance to measuring financial condition or changes in financial condition>	
	<Extent to which the information interests a wide audience (rather than specialists)>	
	<Extent to which there are not alternative sources of reliable information>	
	<Agreement on criteria that permit comparable and consistent reporting>	
	<Experience among users, preparers, and auditors with the information>	
	<Benefit/cost ratio of using resources to compile the information as well as ensure accuracy>	
	<Connection with basic financial statements>	
	<Reliability and/or precision possible>	
	<Reliability and/or precision needed>	

² As noted in paragraph 73D, the factors are not listed in a particular order and do not represent a hierarchy of factors.

15. SFFAC 2, paragraph 74 is amended as follows.

Meeting the four objectives of Federal financial reporting in the most efficient manner suggests that reporting entities issue a ~~financial~~ report that would include the following:

- management's discussion and analysis;
- ~~balance sheet~~ statement of financial position (commonly referred to as balance sheet);
- statement of net costs;
- statement of changes in net position;
- statement of custodial activities, when appropriate;
- statement of budgetary resources;
- statement of financing; [footnote retained but not presented]
- statement of program performance measures; [footnote retained but not presented]
- accompanying footnotes;
- ~~required supplemental~~ supplementary information ~~pertaining to physical, human, and research and development capital and selected claims on future resources, when appropriate;~~ and
- ~~other supplemental financial and management information, when appropriate~~ accompanying information.

16. SFFAC 2, footnote 14 is amended as follows.

Such components are similar to responsibility segments as referred to in ~~FASAB Exposure Draft SFFAS 4, "Managerial Cost Accounting for the Federal Government" (see pages 26-30) Concepts and Standards, par. 78-81.~~ Responsibility segments are used to accumulate costs and outputs for major lines of activity.

17. SFFAC 2, paragraph 76 is amended as follows.

Furthermore, there are frequently instances when one or more of the suborganizations conduct a very visible or critical activity and there is a high level of public interest, e.g., ~~Internal Revenue Service tax collection activity; maintains large and complex accounts with large fund flows~~ activity; e.g., Defense Business Operations Fund; has major

~~responsibilities for the appropriate use of earmarked taxes activity, e.g., Health Care Financing Administration; or its financial viability is of special concern to the Executive Branch or the Congress, e.g., deposit insurance funds. In those situations, it may be desirable for the sub-organization to prepare and issue a separate financial statement that is consistent with the concepts presented in this concepts statement. [footnote retained but not presented] In doing so, it would need to identify the parent entity and describe the sub-organization's relationship to the parent.~~

18. SFFAC 2, paragraph 77 is amended as follows.

The components of any reporting entity are likely to conduct transactions with other components in the reporting entity, other Federal entities, and persons and organizations outside the Federal Government. Likewise, they are likely to have assets due from and liabilities due to other Federal components and entities and to non-Federal persons and organizations. In reporting the transactions and balances of a Federal reporting entity in its entirety, it is conceptually desirable, although not always practicable, to eliminate the intra-entity transactions and balances. ~~Factors to consider are the utility of the information for the entity in its entirety if the intra-entity balances are not eliminated, the misunderstanding that might result if the balances are not eliminated, and the cost-benefit of making the eliminations.~~

19. SFFAC 2, footnote 17 (presented below) is deleted.

~~A reporting entity that eliminates none of the intra-entity transactions or balances and still desires to present the information for its individual components in separate columns could do so by preparing and issuing a **combining financial statement**. If the individual columns are added to a total column without elimination of the intra-entity transactions or balances, the total column would have to be labeled "Memorandum Only" to signify that it is not net of eliminations. Recognizing that the U. S. Standard General Ledger does not presently provide accounts for identifying intra-entity transactions, the decision as to when the information for a reporting entity other than the Federal Government as a whole should be presented in a consolidating financial statement rather than a combining financial statement would be specified by OMB in a Form and Content Bulletin.~~

20. SFFAC 2, paragraph 78 is amended as follows.

Some of a reporting entity's components are likely to be required by law or policy to prepare and issue financial statements in accordance with accounting standards other than ~~those recommended by FASAB's and issued by OMB and GAO~~, e.g., accounting standards issued by the Financial Accounting Standards Board or accounting standards established by a regulatory agency. Those components should continue to issue the required reports. The reporting entities of which the components are a part can issue consolidated, consolidating, or combining statements that include the components' financial information prepared in accordance with the other accounting standards. They need to be sensitive, however, to differences resulting from applying different accounting standards that could be material to the users of the reporting entity's financial statements. If these differences are material, the standards ~~recommended~~ issued by FASAB and ~~issued by OMB and GAO~~ should be applied. The components would need to provide any additional disclosures ~~recommended~~ required by FASAB and included in the OMB-issued ~~standards~~ guidance that would not be required by the other standards.

21. SFFAC 2, paragraph 79 is amended as follows.

In addition to budgetary integrity, operating performance, and systems and control information, Readers of the financial statements for the entire government are likely to be concerned primarily with whether the government has been a proper steward. This can best be achieved with the preparation and issuance of the following:

- management's discussion and analysis;
- ~~balance sheet~~ statement of financial position (commonly referred to as balance sheet);
- statement of ~~operations~~ or net costs;
- statement of operations and changes in net position;
- reconciliation of net operating revenue (or cost) and unified budget surplus (or deficit);
- statement of changes in cash balance from unified budget and other activities;
- comparison of budgeted and actual use of resources;
- statement of program performance measures;
- accompanying footnotes;
- ~~required supplemental~~ supplementary information pertaining to physical, human, and research and development capital and selected claims on future resources; and
- ~~other supplemental financial and management information, when appropriate~~ accompanying information.

22. SFFAC 2, paragraph 81 is rescinded.

Appendix A: Basis for Conclusions

This appendix discusses some factors considered significant by members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Some factors were given greater weight than other factors.

Project History

- A1. The FASAB developed a core set of accounting standards and initial concepts statements on reporting objectives and entity and display early in its first six years of operation. Concepts were developed as initial standards were developed. In 2003, the Board began to actively review and add to or modify its concepts statements as needed. The Board's desire to evaluate its concepts after more than twelve years of successful progress is stimulated by a realization that (a) some critical concepts that have been relied on are not yet included in a concepts statement, (b) certain aspects of the concepts are not widely understood or accepted, and (c) an expansion or modification of its concepts statements will help the Board communicate more effectively with the growing community of federal financial report users, preparers, and auditors.
- A2. As part of the overall project to review and expand its conceptual framework, the FASAB began deliberations on this Statement in October 2006. The FASAB noted that, in the past, it had relied on certain concepts to distinguish between basic information, RSI, and OAI. However, those concepts had not been incorporated into a concepts statement. This Statement amends SFFAC 2 to include those concepts. The Board believes that this Statement is an important part of its conceptual framework and will provide more consistent, useful, and enduring guidance to the Board.
- A3. The Board focused on this Statement, in part, because of the issues that developed regarding how to communicate complex information in the most useful manner to financial report users. There are several broad financial reporting objectives each with sub-objectives that require financial and non-financial information. In addition, reporting information to achieve those objectives raises the issue of how the information should be classified. This Statement provides guidance on addressing such issues and selecting the means of communicating information necessary to help achieve the reporting objectives.

Appendix A: Basis for Conclusions

- A4. The Board published the exposure draft (ED), *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*, on March 26, 2008, with comments requested by June 26, 2008. Upon release of the exposure draft, notices and press releases were provided to: The Federal Register, *FASAB News*, *The Journal of Accountancy*, *AGA Today*, *the CPA Journal*, *Government Executive*, *the CPA Letter*, and *Government Accounting and Auditing Update*, The CFO Council, the Presidents Council on Integrity and Efficiency, Financial Statement Audit Network, and the Federal Financial Managers Council, and committees of professional associations generally commenting on exposure drafts in the past.
- A5. This broad announcement was followed by direct mailings of the exposure draft to the Subcommittee on Federal Financial Management, Government Information, and International Security, Committee on Homeland Security and Governmental Affairs, United States Senate, and the Subcommittee on Government Management, Organization, and Procurement, Committee on Oversight and Government Reform, House of Representatives.
- A6. The Board received 19 responses from the following sources:

	FEDERAL (Internal)	NON-FEDERAL (External)
Users, academics, others		3
Auditors	3	1
Preparers and financial managers	12	
Totals	15	4

- A7. In general, respondents agreed with the process and factors for distinguishing the categories of information. However, many respondents believed that some of the factors listed in Table 1: Factors to Consider in Distinguishing Basic Information from RSI, needed clarification. Two respondents also noted that the factors could be weighted or assigned a value because some factors seemed more important than others.
- A8. The purpose of the ED is to provide conceptual guidance for developing future standards. It is intended to guide the Board in deciding issues such as what information should be a part of the financial statements prepared in conformity with GAAP (basic information) and what information should

accompany financial statements prepared in conformity with GAAP (RSI). Table 1 provides a general framework for guiding members in deciding whether an item of information should be considered basic information or RSI. A general framework permits future Boards some level of flexibility in developing standards and the framework would not necessarily need to be revised as changes in the environment occurred.

- A9. In addition, although some respondents suggested additional factors to consider, the Board believes that the general framework presented in the ED includes a broad range of ideas that members may consider. For example, some respondents suggested additional factors regarding the level of uncertainty involved in accounting information, such as the impact of market factors and market volatility that may affect reportable items. However, the issue of uncertainty is embodied in the existing factors, "Reliability and/or precision possible" and "Reliability and/or precision needed."
- A10. To clarify the intent of the factors presented in Table 1, the Board added brief explanations to paragraph 73E and added a footnote to the table to inform readers that, as discussed in paragraph 73D, the factors are not listed in a particular order or considered to present a hierarchy. Also, the Board removed the factor, "Extent to which the information is aggregated (lacking detail)." The Board acknowledged that members may reach different decisions when applying the factor. Also, another factor, "Benefit/cost ratio of using resources to compile the information as well as ensure accuracy," conveys a similar idea that members may consider.
- A11. Some respondents were not clear whether distinguishing between basic information and RSI was the responsibility of the FASAB or individuals. Also, one respondent noted that a factor is needed to address instances where there is a statutory or regulatory requirement to present an item as basic information, RSI, or OAI. To clarify that the FASAB determines the category of required information, the Board replaced paragraph 55 of SFFAC 2 with paragraph 8 of the Statement and modified the language in paragraph 73D by stating that the Board specifies what information should be presented as basic information and what information should be presented as RSI. The paragraph was also modified by substituting "Board member" or "Board members" for "individual" or "individuals." In addition, when developing the ED, the Board discussed that a statutory or regulatory body may require the reporting of information beyond that required by the FASAB and may specify audit requirements for the information. Also, the information may be included in a report containing information that the FASAB requires. Paragraph 73F explains that this information is considered OAI.

-
- A12. Regarding the OAI category, the Board noted that there may be instances where an entity may not have both basic information and RSI. For example, an entity may only have basic information to convey. In such an instance, OAI would only accompany basic information. To accommodate circumstances where an entity may not have both basic information and RSI, the Board removed the word "both" from the definition of OAI in paragraphs 5 and 73F of the ED.
- A13. Some respondents suggested changes to or expressed concern regarding the reporting model, such as removing the statement of financing. Also, SFFAC 2 discusses financial statements that have not been presented in practice such as the statement of program performance measures. As part of the Board's overall conceptual framework initiative, the Board has started a project to revisit the reporting model. The project plan includes revisiting the financial statements and other components of the reporting model presented in SFFAC 2 and respondents' views will be considered as part of that project.
- A14. Respondents also expressed concern regarding the status of the required supplementary stewardship information (RSSI) category. The RSSI category was a response to the unique federal financial reporting environment and the broad financial reporting objectives. For this category, the Board intended that the Government Accountability Office and the Office of Management and Budget would define a level of auditor involvement greater than applied to required supplementary information but less than applied to basic information. However, that level has never been defined and the Board initiated projects to review and re-categorize RSSI items through a series of standards that would amend SFFAS 8, *Supplementary Stewardship Reporting*.
- A15. Currently, the standards to re-categorize RSSI include the following: (1) SFFAS 23, *Eliminating the Category "National Defense Property, Plant, and Equipment,"* which eliminated the use of RSSI to report weapons systems information; (2) SFFAS 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*, which eliminated the use of RSSI for the reporting of information about stewardship responsibilities; and (3) SFFAS 29, *Heritage Assets and Stewardship Land*, which eliminated the use of RSSI for the reporting of stewardship property, plant and equipment (PP&E). The Board plans to address the remaining RSSI item, stewardship investments, in a future standard. Once the Board reclassifies all items of RSSI, the category will be eliminated.

A16. The Board distinguishes concepts from accounting principles presented in standards. As noted earlier, the purpose of the Statement is to provide concepts to guide the FASAB in developing future standards. Thus, until the Board amends existing standards regarding RSSI, the Board expects practice to be governed by those standards.

Appendix B: Concepts as Amended

This Appendix reproduces SFFAC 2, as if amended. The paragraph numbers are based on the original numbers in the statement. The strikethrough, underlined text, and the insertion of Table 1: *Factors to Consider in Distinguishing Basic Information from RSI* indicates the proposed amendments.

INTRODUCTION

1. A basic postulate of accounting is that accounting information pertains to entities, i.e., circumscribed legal, administrative, fiduciary, or other organizational structures. Another basic postulate is that entities use financial reports to communicate financial and related information about the entity to persons concerned with the entity.
2. The purpose of this statement of accounting concepts is to provide guidance as to what would be encompassed by a Federal Government entity's financial report. The statement specifies the types of entities for which there ought to be financial reports (hereinafter called reporting entities), establishes guidelines for defining the makeup of each type of reporting entity, identifies types of financial reports for communicating the information for each type of reporting entity, ~~and suggests the types of information each type of report would convey, and identifies the process and factors the Board may consider in determining whether information should be basic information, required supplementary information (RSI), or other accompanying information (OAI).~~
3. A statement of financial accounting concepts is intended to guide the members of the Federal Accounting Standards Advisory Board (FASAB) as they deliberate ~~and recommend~~ accounting standards for the ~~F~~ederal ~~G~~overnment. The concepts in this Statement are consistent with those established in SFFAC 1 which are not superseded or modified by this Statement. The concepts in this Statement also are generally consistent with current practice and do not imply radical change. However, they are expected to guide the Board's future deliberations. In addition, concepts statements constitute "other literature" and may only be relied upon by financial statement preparers and auditors to resolve specific accounting issues in the absence of GAAP literature. ~~†This Statement~~ also would be useful to the Office of Management and Budget (OMB), when it carries out its statutory responsibilities for specifying who should prepare financial statements and the form and content of those statements; ~~and as broad guidance for preparers, auditors, and users of financial statements of Federal agencies. A statement of financial accounting concepts does not, in and of itself, represent standards that would be considered generally accepted~~

~~accounting principles for Federal agencies to be followed for the preparation of financial statements.~~

4. This statement does not try to define which reporting entities must prepare and issue financial statements. That authority and responsibility resides with the Congress, OMB, and other oversight organizations and resource providers.

Paragraphs 5 – 53 are omitted. They address the reporting objectives, the structure of the federal government and reporting entities.

DISPLAYING FINANCIAL INFORMATION

54. Financial information is typically provided by or for a reporting entity through financial statements. Financial statements represent the principal means of communicating accounting information about an entity's resources, obligations, revenues, costs, etc. to those outside the entity. However, financial statements, and particularly those prepared for governmental and other not-for-profit organizations, may also contain information from sources other than accounting records. Also, management may communicate information to those outside the entity by means of financial reporting other than financial statements, either because the information is required to be disclosed by statute, regulation, or custom; or because management believes the information would be useful to those outside the entity and discloses it voluntarily.
- ~~55. To enhance confidence in the reliability of information presented in financial statements, the statements are often, but not always, audited by Inspectors General, independent accounting firms, or the General Accounting Office. Some financial reporting by management, both within and outside the financial statements, is audited, or is reviewed but not audited; and some information is presented by management without audit or review by persons independent of those who prepared the statements or information.~~
55. To enhance confidence in the reliability of information presented in financial statements, the statements are often, but not always audited by Inspectors General, independent accounting firms, or the Government Accountability Office. In developing accounting standards, the Board considers whether information should be categorized as basic information, required supplementary information (RSI), or other accompanying information (OAI).

-
- Distinguishing these categories is important because each category is subject to different procedures and reporting requirements under generally accepted government auditing standards (GAGAS). When an auditor is engaged to audit an entity's financial statements, basic information as a whole is subject to testing for fair presentation in conformity with GAAP. However, RSI and OAI are unaudited, but subject to certain procedures specified by GAGAS for RSI and OAI, respectively. To assist users in analyzing the different types of information within financial reports, these differences must be conveyed and can be accomplished in a variety of ways. The traditional approach is to separate the categories of information. However, the categories may be commingled if the RSI and OAI are clearly labeled as "unaudited" or distinguished in a manner that informs the reader of the level of assurance provided.
- 55A. Classification of the information as basic information, RSI, or OAI does not constrain the form of presentation. For example, financial statements may be presented as basic financial statements, RSI, or OAI. Information can be required or encouraged to be in the form of financial statements, narrative, graphs, or tables. To clearly communicate the intended status, the Board must specify whether the information is to be considered basic information, RSI, or OAI. Selecting a category may involve a process which is described in paragraphs 73A to 73G.
56. In the Federal Government, there are several types of reporting entities (organizations, suborganizations, programs, and the government as a whole) and several financial reporting objectives (budgetary integrity, operating performance, stewardship, and systems and control). Each of the reporting objectives can be met to a certain degree by the statements prepared by or for one type of reporting entity and to a greater or lesser degree by the statements prepared by or for the other types of reporting entities. For example, the objective of budgetary integrity can be best met with the program and financing schedules prepared for individual budget accounts. The objective of operating performance can be best met with financial statements from organizations/suborganizations and programs (although financial statements at this level can also help readers evaluate the reporting entity's budgetary integrity). The objective of stewardship can be best met with a financial statement for the entire government. Meeting the financial reporting objectives in their totality requires financial statements from all of the types of reporting entities.

Paragraphs 57 – 67 are omitted. They describe types of financial statements.

Other Information

68. Financial information is also conveyed with **accompanying footnotes**, which are an integral part of the financial statements. Footnotes typically provide additional disclosures that are necessary to make the financial statements more informative and not misleading.
69. It is also necessary to convey more general information about the reporting entity. This could entail such matters as a brief description of the reporting entity; its missions, goals, and objectives; the programs it provides and the major recipients for the program; its major sources of funding; the manner in which the reporting entity is organized; its personnel resources; highlights of the entity's accomplishments during the reporting period; selected measures of program performance abstracted from the statement of program performance; problems encountered or targets missed and the reasons why; financial highlights and trends; expected problems and challenges; future targets the entity is setting for itself; and any other information the agency head or CFO considers necessary to fully and fairly provide an understanding of the entity's financial affairs. This type of information is typically presented in what has come to be known as a **management's discussion and analysis** or **overview** of the reporting entity.
70. The third objective of Federal financial reporting is that it "should assist report users in assessing the impact on the country of the government's operations and investments for the period and how, as a result, the government's and the nation's financial conditions have changed and may change in the future."¹⁰ This objective requires a reporting of information concerning investments in education, training, research, and development and certain types of property, plant, and equipment that can affect the nation's future wealth, and to the claims on future budgetary resources resulting from prior decisions and actions.
71. The information pertaining to the aforementioned investments, certain types of property, plant, and equipment,¹¹ and claims on future budgetary resources is

¹⁰ A complete discussion of the third objective for Federal financial reporting, which is called the "stewardship objective," is contained on pages 41-45 in Statement of Federal Financial Accounting Concepts No. 1, "Objectives of Federal Financial Reporting

¹¹ ~~The Board is currently considering accounting standards for Federally owned property, plant, and equipment. These standards will address placement of information related to various types of PP&E. The Board is considering placing information about some types of PP&E in footnotes with information about~~

maintained in part in the entities' general ledgers and, in part, external to the general ledgers. Some of the information is recorded in units other than dollars, e.g., acres, millions of square feet. Finally, some of the information is not subject to the types of controls present in a system of double entry recordkeeping. Accordingly, a more suitable way to fulfill the third reporting objective would be to display the appropriate information as **required supplemental supplementary information** rather than attempting to include it in financial statements.⁴²

- ~~72. Finally, some reporting entities desire or need to report information to support information in the overview or to enhance the understanding of the entity's operations or financial condition. That additional information would not always be appropriate for the overview or the financial statements or accompanying footnotes. Examples are delivery times, turnover, and wastage of inventories; condition, maintenance, and expected replacement of physical capital; and delinquency, aging, and default rates for loan portfolios. This information is typically reported as **supplemental financial and management information**. It can be reported in the form of schedules, charts, tables, and/or narrative text.~~
73. The fourth objective, systems and controls, is fulfilled, in part, by the act of preparing the financial statements. Other ways the fourth objective could be fulfilled through the audited financial reporting process is by a management assertion that would accompany the financial statements and/or an auditor's attestation on the financial statements. The management assertion would be an acknowledgment of its responsibility for the accuracy of the information in the financial statements, the completeness and fairness of the presentation of the information, the accuracy of the information in all material respects, and the reporting of the information in a manner designed to fairly present financial position and results of operations. The assertion could also include a statement regarding the adequacy of the entity's systems and controls, accompanied by the auditor's concurrence with the assertion.

~~other types in required supplemental information. The Board's proposals will be presented in an exposure draft on stewardship reporting.~~

⁴²~~Required supplemental information is information that would be reported outside the principal financial statements that the Federal Accounting Standards Advisory Board considers an essential part of a reporting entity's financial reporting, and therefore recommends authoritative guidelines for the measurement and presentation of the information. It is analogous to the required supplementary information discussed in Statement on Auditing Standards AU Section 558.06, which addresses pronouncements of the FASAB, Financial Accounting Standards Board and the Governmental Accounting Standards Board~~

Distinguishing Basic Information, RSI, and OAIDetermining Required Information

73A. Selecting a category for communicating information may involve a process that begins with determining what information should be required. Required information is information that consists of basic information and RSI. An item of information is a candidate for required information if it is consistent with the objectives of federal financial reporting and meets certain qualitative characteristics and cost-benefit considerations. The Board developed these factors earlier in the conceptual framework. SFFAC 1 identifies the reporting objectives (paragraphs 112 to 150) and the qualitative characteristics (paragraphs 157 to 164). It also discusses cost versus benefit considerations (paragraphs 151 to 155).

73B. Information that meets the criteria for required information is a candidate for basic information or RSI. Basic information is that which is essential for the financial statements and notes to be presented in conformity with GAAP. The FASAB standards are the core^{12.1} of GAAP and auditors express an opinion as to whether basic financial statements and notes are presented in conformity with those criteria.

73C. RSI is information that a body that establishes GAAP requires to accompany basic information. It may be experimental in nature to permit the communication of information that is relevant and important to the reporting objectives while more experience is gained through resolution of accounting issues. Also, the information may be expressed in other than financial measures or may not be subject to reliable estimation. As issues are resolved, the information may be considered basic at some point in the future.

73D. The Board specifies what information should be presented as basic information and what information should be presented as RSI. Assessing whether information is a candidate for basic information or RSI may involve the Board's consideration of a range of factors which are listed in Table 1: *Factors to Consider in Distinguishing Basic from RSI*. The factors are not listed in a particular order and some may convey similar ideas. In addition, different Board members may assign different weight to each factor. Thus, the factors provide a general framework for each Board member's judgment and are not

^{12.1} The first and highest level of the GAAP hierarchy comprises standards and interpretations. Lower level GAAP may not conflict with standards or interpretations.

considered to present a decision tree, hierarchy, or precise algorithm for classifying items.

73E. For example, one may consider the relevance of the information to fair presentation. If the information has a high relevance to fair presentation it may be a candidate for basic information communicated by financial statements and notes to the financial statements. The financial statements and notes could not be considered fairly presented if the information is missing or materially misstated. The rationales for some of the other factors that members may consider are:

- a. Use of various types of financial data used or financial transaction data. Members may deliberate the nature of the data used or the type of system used to process the information. Financial data used or data derived from a system for processing financial transactions, may be more likely to be considered basic information.
- b. Level of importance the Board wishes to be communicated in the financial report or the auditor's report. In addition to the nature of the information, the Board may take into account the effect of categorizing an item as basic information or RSI in the financial report and what the auditor's report would communicate if the item is missing or materially misstated. By designating an item as basic information rather than RSI, the Board can have some bearing on the level of importance conveyed in the financial report and auditor's report. In other words, users may pay less attention to items categorized as "supplementary" in the financial report. Conversely they may be more concerned with the auditor's conclusions regarding the fair presentation of the financial statements. Hence, tThe more important the item, the more likely it would be a part of the financial statements and notes prepared in conformity with GAAP, such that if the item is missing or materially misstated, the matter would be conveyed in the auditor's report on the fair presentation of the financial statements.
- c. The extent to which the information interests a wide audience (rather than specialists). If an item of information on the sustainability of federal programs is of great interest to users, the information may be a candidate for basic information. Conversely, if the item is primarily of interest to subject matter specialists, the information may accompany the basic information as RSI.

-
- d. Extent to which there are not alternative sources of reliable information. If organizations routinely publish an item of information that is scrutinized by independent advisors, it may be more likely to be considered RSI than basic information.
 - e. Agreement on criteria that permit comparable and consistent reporting. If there is a lack of specific criteria for measuring an item, preparers may have great discretion in developing their calculations and auditors may lack criteria necessary for their work and expressing an opinion. The item of information may be a candidate for RSI.
 - f. Experience among users, preparers, and auditors with the information. The Board may consider the views of expert users, preparers, and auditors in developing measurement criteria for basic information. If the level of experience regarding an item is low, input on specific criteria may not be available. Also, when there is not sufficient experience to develop measurement criteria, auditors may have concerns about expressing an opinion on the information. They may express qualifications or include explanations in their report. Categorizing the information as RSI may encourage reporting while more experience is gained and criteria developed.
 - g. Benefit/cost ratio of using resources to compile the information as well as ensure accuracy. The Board may consider the benefit and cost associated with producing and auditing the item of information.

OAI

73F. If an item of information does not meet the criteria for basic information or RSI, it becomes a candidate for OAI. OAI is information that accompanies basic information and RSI, but is not required by a body that establishes GAAP. Some entities may desire to report information to support required information and enhance a user's understanding of the entity's operations or financial condition. This may include but is not limited to information on delivery times, turnover, and wastage of inventories; expected replacement of physical capital; and delinquency, aging, and default rates for loan portfolios. In addition, entities report information not required by a body that establishes GAAP, but required by laws or administrative directives. The laws or administrative directives may require the information to be audited and may

require it to accompany basic information and RSI. However, this information is also considered OAI.

73G. Although the FASAB does not require OAI to be presented, the FASAB may at times encourage voluntary reporting of items to help in the development of information that may enhance overall federal financial reporting. For example, the FASAB may consider an item to be relevant to entity operations but, for the moment, does not meet other criteria for Required Information.

Table 1: Factors to Consider in Distinguishing Basic Information from RSI^{12.2}

FACTORS TO CONSIDER IN DISTINGUISHING BASIC INFORMATION FROM RSI		
Low (implies RSI)	Factor	High (implies Basic)
	<Relevance to fair presentation>	
	<Connection with elements of financial reporting>	
	<Use of various types of financial data or financial transaction data>	
	<Level of importance the Board wishes to be communicated in the financial report>	
	<Significance, relevance, or importance of the item in light of <i>Objectives</i> >	
	<Level of importance the Board wishes to be communicated in the auditor's report>	
	<Relevance to measuring financial condition or changes in financial condition>	
	<Extent to which the information interests a wide audience (rather than specialists)>	
	<Extent to which there are not alternative sources of reliable information>	
	<Agreement on criteria that permit comparable and consistent reporting>	
	<Experience among users, preparers, and auditors with the information>	
	<Benefit/cost ratio of using resources to compile the information as well as ensure accuracy>	
	<Connection with basic financial statements>	
	<Reliability and/or precision possible>	
	<Reliability and/or precision needed>	

^{12.2} As noted in paragraph 73D, the factors are not listed in a particular order and do not represent a hierarchy of factors.

Financial Reporting for an Organizational Entity

74. Meeting the four objectives of Federal financial reporting in the most efficient manner suggests that reporting entities issue a ~~financial~~ report that would include the following:

- management's discussion and analysis;
- ~~balance sheet~~ statement of financial position (commonly referred to as balance sheet);
- statement of net costs;
- statement of changes in net position;
- statement of custodial activities, when appropriate;
- statement of budgetary resources;
- statement of financing;^{12a}
- statement of program performance measures;¹³
- accompanying footnotes;
- ~~required supplemental~~ supplementary information ~~pertaining to physical, human, and research and development capital and selected claims on future resources, when appropriate;~~ and
- ~~other supplemental financial and management information, when appropriate~~ accompanying information.

75. With some organizations, and even suborganizations, the activities of one or more programs or other components are as important to the readers of the financial statements as are the activities of the entity as a whole. This would be particularly true for a Department composed of many bureaus, administrations, agencies, services, etc., and particularly if their programs are dissimilar. In those instances, consideration should be given to the preferability of reporting the assets, liabilities, revenues, expenses, etc. of both the significant components individually and of the entity in its entirety. Hence, larger organizations, and

^{12a} The Statement of Financing may be presented as a financial statement or as a schedule in the notes to financial statements. The OMB will provide guidance regarding details of how the information will be displayed for the Statement of Financing, including whether it shall be presented as a basic financial statement or as a schedule in the notes to the basic financial statements.

¹³ The statement of program performance measures is not a basic financial statement. Nevertheless, it is an important component of the financial reports.

particularly those composed of many bureaus, administrations, agencies, etc., would prepare not only consolidated financial statements for the organizational entity, but also provide information pertaining to their individual significant components.¹⁴ The information for the individual components could be provided with separate columns in consolidating financial statements¹⁵ (with the information for the less significant components, and possibly the entity's management component, aggregated into a single separate column), in separate financial statements for each significant component, or in the accompanying footnotes. The significant components can be suborganizations or programs. If they are suborganizations, information regarding programs should be provided in some manner.

76. Furthermore, there are frequently instances when one or more of the suborganizations conduct a very visible or critical activity and there is a high level of public interest, e.g., ~~Internal Revenue Service~~ tax collection activity; maintains ~~large and complex accounts with large fund flows~~ activity, e.g., ~~Defense Business Operations Fund~~; has ~~major responsibilities for the appropriate use of earmarked taxes~~ activity, e.g., ~~Health Care Financing Administration~~; or its financial viability is of special concern to the Executive Branch or the Congress, e.g., deposit insurance funds. In those situations, it may be desirable for the sub-organization to prepare and issue a separate financial statement that is consistent with the concepts presented in this concepts statement.¹⁶ In doing so, it would need to identify the parent entity and describe the sub-organization's relationship to the parent.
77. The components of any reporting entity are likely to conduct transactions with other components in the reporting entity, other Federal entities, and persons and organizations outside the Federal Government. Likewise, they are likely to have assets due from and liabilities due to other Federal components and entities and to non-Federal persons and organizations. In reporting the transactions and balances of a Federal reporting entity in its entirety, it is conceptually desirable, although not always practicable, to eliminate the intra-entity transactions and balances. ~~Factors to consider are the utility of the information for the entity in its~~

¹⁴ Such components are similar to responsibility segments as referred to in ~~FASAB Exposure Draft SFFAS 4, "Managerial Cost Accounting for the Federal Government" (see pages 26-30) Concepts and Standards, par. 78-81.~~ Responsibility segments are used to accumulate costs and outputs for major lines of activity.

¹⁵ A **consolidated financial statement** presents the transactions and balances for a reporting entity's components in a single column. In arriving at the consolidated amounts, the transactions and balances among the entities are eliminated. A **consolidating financial statement** presents the information for the reporting entity's components as well as the consolidated amounts in individual columns. The elimination of the inter-entity transactions and balances needed to arrive at the consolidated amounts might or might not be presented in a separate column.

¹⁶ Sub-organizations required by statute to prepare and issue a separate financial statement would, by definition, also need to do so.

~~entirety if the intra-entity balances are not eliminated, the misunderstanding that might result if the balances are not eliminated, and the cost-benefit of making the eliminations.¹⁷~~

78. Some of a reporting entity's components are likely to be required by law or policy to prepare and issue financial statements in accordance with accounting standards other than those recommended by FASAB's and issued by OMB and GAO, e.g., accounting standards issued by the Financial Accounting Standards Board or accounting standards established by a regulatory agency. Those components should continue to issue the required reports. The reporting entities of which the components are a part can issue consolidated, consolidating, or combining statements that include the components' financial information prepared in accordance with the other accounting standards. They need to be sensitive, however, to differences resulting from applying different accounting standards that could be material to the users of the reporting entity's financial statements. If these differences are material, the standards recommended issued by FASAB and issued by OMB and GAO should be applied. The components would need to provide any additional disclosures recommended required by FASAB and included in the OMB-issued standards guidance that would not be required by the other standards.

Financial Reporting for the Entire Government

79. In addition to budgetary integrity, operating performance, and systems and control information, Readers of the financial statements for the entire government are likely to be concerned primarily with whether the government has been a proper steward. This can best be achieved with the preparation and issuance of the following:

- management's discussion and analysis;
- balance sheet statement of financial position (commonly referred to as balance sheet);
- statement of operations or net costs;
- statement of operations and changes in net position;

¹⁷~~-A reporting entity that eliminates none of the intra-entity transactions or balances and still desires to present the information for its individual components in separate columns could do so by preparing and issuing a **combining financial statement**. If the individual columns are added to a total column without elimination of the intra-entity transactions or balances, the total column would have to be labeled "Memorandum Only" to signify that it is not net of eliminations. Recognizing that the U. S. Standard General Ledger does not presently provide accounts for identifying intra-entity transactions, the decision as to when the information for a reporting entity other than the Federal Government as a whole should be presented in a consolidating financial statement rather than a combining financial statement would be specified by OMB in a Form and Content Bulletin.~~

-
- reconciliation of net operating revenue (or cost) and unified budget surplus (or deficit);
 - statement of changes in cash balance from unified budget and other activities;
 - comparison of budgeted and actual use of resources;
 - statement of program performance measures;
 - accompanying footnotes;
 - ~~required supplemental~~ supplementary information pertaining to physical, human, and research and development capital and selected claims on future resources; and
 - ~~other supplemental financial and management information, when appropriate~~ accompanying information.

80. The readers should be made aware of whether the financial statements for the entire government exclude any significant entities that are included in the budget or include significant entities that are not included in the budget.

~~81. Readers of the financial statements for the entire government are also likely to be concerned with the results of the budget process. This interest can be fulfilled by providing a comparison of budgeted and actual use of resources, presented on the same basis as the budget is accounted for, and a reconciliation of accrual-based operating results to the budget-based operating results. The budget would be the amounts included in the President's Budget or the Mid-session Review of the budget, whichever is appropriate.~~

82. The financial statements for the entire government could also be used to provide information on Presidential initiatives or crosscutting programs that is not available in financial statements for individual organizations or programs.

83. Because the government is a complete and integral economic entity, in contrast to the departments and major agencies whose components frequently have nothing in common other than belonging to the same department, it would be appropriate that the financial statement for the entire government be a consolidated financial statement. However, it might also be appropriate to display selected information for the components, funds, etc., either within the consolidated financial statement, in accompanying footnotes, and/or as ~~supplemental~~ supplementary information.

Paragraphs 84 – 112 are omitted.

Appendix C: Abbreviations**Appendix C: Abbreviations**

AICPA	American Institute of Certified Public Accountants
AU	Audit Standards codified and published by the AICPA
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAGAS	Generally Accepted Government Auditing Standards
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GPFFR	General Purpose Federal Financial Report
MD&A	Management's Discussion and Analysis
OAI	Other Accompanying Information
RSI	Required Supplementary Information
RSSI	Required Supplementary Stewardship Information
SFAS	Statement of Financial Accounting Standards
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards

Appendix C: Glossary

Basic Information: Information that is essential for financial statements and notes to be presented in conformity with generally accepted accounting principles (GAAP).

Other Accompanying Information: Information that accompanies basic information and required supplementary information, but is not required by a body that establishes GAAP.

Required Information: Information that consists of basic and required supplementary information.

Required Supplementary Information: Information that a body that establishes GAAP requires to accompany basic information. When an auditor is engaged to audit an entity's financial statements, basic information is subject to testing for fair presentation in conformity with GAAP. However, RSI for federal entities is unaudited but subject to certain procedures specified by Generally Accepted Government Auditing Standards for RSI.

FASAB Board Members

Tom L. Allen, Chair

Robert F. Dacey

John A. Farrell

Norwood J. Jackson, Jr.

Robert P. Murphy (through July 2008)

James M. Patton

Robert N. Reid

Alan H. Schumacher

Harold I. Steinberg

Danny Werfel

FASAB Staff

Wendy M. Payne, Executive Director

Project Staff

Ross E. Simms

Federal Accounting Standards Advisory Board
441 G Street NW, Suite 6814
Mail Stop 6K17V
Washington, DC 20548
Telephone 202-512-7350
FAX 202-512-7366
www.fasab.gov



Federal Accounting Standards Advisory Board

Date: October 3, 2008

To: Members of the Board

From: Wendy M. Payne, Executive Director

Subject: **Ballot for Statement of Federal Financial Accounting Concepts 6, *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information***

The following is a ballot for SFFAC 6, *Distinguishing Basic Information, Required Supplementary Information and Other Accompanying Information*. Please enter your name in the space provided below and indicate your approval or disapproval. Please fax the ballot to us at 202 512-7366. If you wish to submit your ballot via e-mail, please e-mail to me at paynew@fasab.gov.

Ballots are due by October 17, 2008. Members not responding by October 23, 2008 will be considered to have abstained. If you decide to write a dissent, please notify staff immediately and provide your dissent as soon as possible but no later than October 10, 2008. Any dissents received will be circulated to other members as soon as possible so that they may consider the views of the dissenting member. Unless a member dissents, SFFAC 6 will not be an agenda item for the October 2008 meeting.

Board Member: _____

_____ I approve the subject SFFAS

_____ I do not approve the subject SFFAS

SUMMARY OF BOARD VIEWS			
MEETING	QUESTION/ ITEM FOR DISCUSSION	BOARD VIEW	
November 2006	<p>1. Staff presented an outline of planned topics to discuss in a proposed concepts statement. The outline included the following objectives for the project.</p> <p>a. Describe the financial statements used to present the elements critical to meeting financial reporting objectives and explain what constitutes a full set of financial statements; and</p> <p>b. Establish criteria for determining when financial statements, disclosures, MD&A, RSI other than MD&A, and OAI should be used in meeting the reporting objectives.</p>	<p>The order of the proposed objectives should be revised. The project should first establish criteria and second describe the financial statements. The revised order of the objectives is as follows:</p> <ul style="list-style-type: none"> • Establish criteria for determining when financial statements, disclosures, MD&A, RSI other than MD&A, and OAI should be used in meeting the reporting objectives; and • Describe the financial statements used to present the elements critical to meeting financial reporting objectives and explain what constitutes a full set of financial statements. <p>Also, it should be clear that the existing set of financial statements is not the end result. They may serve as a starting point for determining underlying concepts.</p>	
January 2007	<p>2. Whether to conduct two types of outreach activities - roundtable meetings to discuss agency Performance and Accountability Report (PAR) issues and an educational session on cost accounting. Constituents had recently raised concerns that PARs have grown too voluminous and that agencies are not developing cost information to integrate with performance reporting, such as reporting the cost of specific programs and the amount spent on achieving results. Staff proposed the outreach efforts as a way to inform constituents on existing FASAB guidance and to gather information on whether additional FASAB guidance is needed.</p>	<p>The financial reporting project involved many broad subjects which required analysis. Consequently, the project needs further development before proceeding with outreach activities.</p>	
January 2007	<p>3. Staff noted that management is responsible for the fair presentation of financial statements in accordance with generally accepted accounting principles (GAAP), and management is responsible for assertions that are implicit in financial reporting. Those assertions have an important role in determining what is presented in the financial report. However, much of the discussion on management's responsibility for financial reporting is found in auditing literature rather than in accounting literature.</p>	<p>A concept statement, such as the proposed concept statement on the federal financial report, may not be the best vehicle to discuss these topics. Management's responsibilities should be discussed in a standard or other vehicle because concept statements primarily guide the Board in its standards-setting activities.</p>	

SUMMARY OF BOARD VIEWS			
MEETING	QUESTION/ ITEM FOR DISCUSSION	BOARD VIEW	
March 2007	4. Does the Board agree that performance information is an integral part of financial reporting and of general purpose federal financial reports (GPFFR).	Performance information is an integral part of financial reporting and the GPFFR. However, this does not preclude developing alternative formats.	
March 2007	5. Does the Board agree to continue monitoring the progress in performance reporting rather than exploring the performance reporting topic at this time.	Continue monitoring progress in performance reporting rather than exploring the topic at this time. Staff will participate in work groups engaged in reviewing PAR formats and developing strategic directions for a financial reporting model.	
March 2007	6. Does the Board agree that the GPFFR components should be limited to those that are currently defined in professional literature and that are familiar to users, such as financial statements, disclosures, RSI (including MD&A), and other accompanying information. Existing GPFFRs primarily use the established reporting components such as financial statements, disclosures (notes), RSI (including MD&A and performance information), and other accompanying information. Commonly known reporting components will likely help ensure that users understand the importance of the information included in GPFFRs.	The project should focus on the existing components of the GPFFR - financial statements, disclosures, MD&A, RSI, and OAI, rather than exploring other possibilities. Although these components are audit status categories, they are discussed in the FASAB literature and are used by preparers.	
July 2007	7. Regarding the proposed concepts statement on communication methods, does the Board believe that the overall approach will provide a helpful tool for deliberating in the context of standards which method of communicating information within a financial report is appropriate? 8. What additional tools may be needed to support deliberation on the method of communicating information?	Members provided comments on the proposed concepts statement. Those comments included how to depict the unique role of the MD&A in federal financial reporting. Some believe that, in some cases, the MD&A is the only section of the GPFFR that users will read. However, currently, the MD&A is not audited. It is treated as RSI for audit purposes.	
	9. Regarding a description of the financial statements necessary for achieving the financial reporting objectives (an overview of financial statements) staff suggested that (1) SFFAC 2 be amended as needed rather than being superseded and (2) amendments related to ongoing standards projects be accomplished as those standards are developed.	Members agreed with the suggestions that (1)SFFAC 2 be amended as needed rather than being superseded and (2) amendments related to ongoing standards projects, such as Social Insurance and Sustainability Reporting, be accomplished as those standards are developed.	
September 2007	10. Whether the proposed concepts statement that should provide guidance for choosing the appropriate level of assurance on information to be required by standards. This approach for the concepts statement was highlighted during the Board's July 2007 meeting, when members discussed the	Members discussed that the Board primarily focuses on determining what information should be reported and the means for reporting the required information. In determining the means for reporting required information, the Board considers various factors. The Basis for Conclusions section of SFFAS 25 presents these factors. In	

SUMMARY OF BOARD VIEWS			
MEETING	QUESTION/ ITEM FOR DISCUSSION	BOARD VIEW	
	Management's Discussion and Analysis (MD&A). While members agreed that the MD&A was an important component of the financial report, they deliberated on whether the MD&A should be considered basic information subjected to audit or required supplemental information (RSI) which is not audited. The proposed concepts statement would provide criteria to assist the Board in choosing the appropriate assurance level in instances such as the MD&A.	addition, the FASAB may encourage other accompanying information. Members suggested a framework to use in developing the proposed concepts statement. The framework should include the factors presented in the Basis for Conclusions section of SFFAS 25.	
December 2007	<p>11. The Board has relied on the factors in SFFAS 25 to determine whether information should be considered basic or RSI, but the factors have not been included in a concepts statement. Combining existing concepts with previously relied upon concepts would provide a single document for guiding the Board. However, the past practice of the Board has been to refrain from repeating the contents of existing statements in a new statement. Doing so may imply that the previous statement had been changed and may confuse constituents accustomed to the Board's practices. An alternative approach would be to amend SFFAC 2 to include the factors for distinguishing basic from RSI. Amending SFFAC 2 would enable the Board to continue achieving its objective for the conceptual framework project and would be consistent with past practices. Staff proposed amending SFFAC 2 to include the factors from SFFAS 25. 3.</p> <p>12. Given that the Board has completed the Objectives Phase of the conceptual framework project and decided to retain all the broad objectives of federal financial reporting, staff suggested resuming the project to reclassify the remaining RSSI.</p>	Members agreed with the staff proposal to amend SFFAC 2 and provided comments on the content of the proposed statement. Comments included rewording some of the factors for distinguishing basic information and RSI. Staff plans to prepare a ballot draft for the February 2008 Board meeting. Accordingly, staff intends to revise the statement and address any additional Board comments prior to the February 2008 Board meeting. In addition, the Board agreed to consider a project on the RSSI category during its February 2008 technical agenda setting discussions.	
February 2008	13. Staff prepared a pre-ballot draft concepts statement entitled, <i>Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information.</i>	Members provided comments on the draft ED, including clarification of the phrase "Strength of signal" which is used in two of the factors for distinguishing basic information from RSI. Staff will prepare a ballot draft concepts statement before the next meeting.	
March 3, 2008	14. Issued ballot ED, <i>Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information.</i>	Members approved	

SUMMARY OF BOARD VIEWS			
MEETING	QUESTION/ ITEM FOR DISCUSSION	BOARD VIEW	
March 26, 2008	15. Issued ED. Comments due June 26, 2008	N/A	
August 21, 2008	16. Staff presented a summary of the comments received in response to the exposure draft. Respondents generally agreed with the exposure draft and, in light of the responses, staff presented a final draft concepts statement.	Members provided comments on the final draft statement including the need to improve the rationale for two factors for distinguishing basic information and RSI. The two factors are: (1) Use of various types of financial data or financial transaction data; and (2) Extent to which the information is aggregated (lacking detail).	